

# **State of Alaska FY2003 Governor's Operating Budget**

**Department of Revenue**

# Contents

<b>Department Mission .....</b>	<b>4</b>
Department Goals and Strategies .....	4
Key Department Issues for FY2002 – 2003 .....	5
Major Department Accomplishments in 2001 .....	6
Governor's Key Department-wide Performance Measures for FY2003 .....	7
Department Budget Summary by BRU .....	11
Funding Source Summary .....	12
Position Summary .....	12
FY2003 Capital Budget Request.....	13
Overview of Departmental Budget Changes .....	14
Summary of Department Budget Changes by BRU .....	16
<b>BRU/Component: Child Support Enforcement.....</b>	<b>17</b>
Key Performance Measures for FY2003 .....	19
Component Financial Summary .....	21
Summary of Component Budget Changes .....	22
Personal Services Information .....	23
<b>BRU/Component: Alcohol Beverage Control Board.....</b>	<b>24</b>
Key Performance Measures for FY2003 .....	25
Component Financial Summary .....	27
Summary of Component Budget Changes .....	28
Personal Services Information .....	29
<b>BRU/Component: Municipal Bond Bank Authority.....</b>	<b>30</b>
Key Performance Measures for FY2003 .....	31
Component Financial Summary .....	32
Summary of Component Budget Changes .....	33
Personal Services Information .....	34
<b>BRU/Component: Permanent Fund Corporation.....</b>	<b>35</b>
Key Performance Measures for FY2003 .....	36
Component Financial Summary .....	38
Summary of Component Budget Changes .....	39
Personal Services Information .....	40
<b>BRU/Component: PFC Custody and Management Fees.....</b>	<b>41</b>
Key Performance Measures for FY2003 .....	42
Component Financial Summary .....	44
Summary of Component Budget Changes .....	45
<b>BRU/Component: Alaska Housing Finance Corporation Operations.....</b>	<b>46</b>
Key Performance Measures for FY2003 .....	50
Component Financial Summary .....	52
Summary of Component Budget Changes .....	53
Personal Services Information .....	54
<b>BRU/Component: Anchorage State Office Building.....</b>	<b>58</b>
Component Financial Summary .....	59
Summary of Component Budget Changes .....	60
<b>BRU/Component: Alaska Mental Health Trust Authority.....</b>	<b>61</b>
Key Performance Measures for FY2003 .....	62

Component Financial Summary .....	64
Summary of Component Budget Changes .....	65
Personal Services Information .....	66
<b>Revenue Operations Budget Request Unit.....</b>	<b>67</b>
Key Performance Measures for FY2003 .....	70
BRU Financial Summary by Component .....	74
Summary of BRU Budget Changes by Component .....	75
<i>Component: Treasury Management .....</i>	<i>76</i>
Component Financial Summary .....	79
Summary of Component Budget Changes .....	81
Personal Services Information .....	82
<i>Component: Alaska State Pension Investment Board .....</i>	<i>83</i>
Component Financial Summary .....	85
Summary of Component Budget Changes .....	86
<i>Component: Tax Division.....</i>	<i>87</i>
Component Financial Summary .....	90
Summary of Component Budget Changes .....	92
Personal Services Information .....	93
<b>BRU/Component: ASPIB Bank Custody and Management Fees.....</b>	<b>94</b>
Key Performance Measures for FY2003 .....	94
Component Financial Summary .....	95
Summary of Component Budget Changes .....	96
<b>Administration and Support Budget Request Unit.....</b>	<b>97</b>
Key Performance Measures for FY2003 .....	98
BRU Financial Summary by Component .....	101
Summary of BRU Budget Changes by Component .....	102
<i>Component: Commissioner's Office.....</i>	<i>103</i>
Component Financial Summary .....	106
Summary of Component Budget Changes .....	107
Personal Services Information .....	108
<i>Component: Administrative Services .....</i>	<i>109</i>
Component Financial Summary .....	112
Summary of Component Budget Changes .....	113
Personal Services Information .....	114
<i>Component: REV State Facilities Rent.....</i>	<i>115</i>
Component Financial Summary .....	116
Summary of Component Budget Changes .....	117
<b>BRU/Component: Permanent Fund Dividend.....</b>	<b>118</b>
Key Performance Measures for FY2003 .....	119
Component Financial Summary .....	121
Summary of Component Budget Changes .....	122
Personal Services Information .....	123

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**Department Mission**

The mission of the Department of Revenue is to collect and invest funds for public purposes.

The department provides administrative support for the following independent boards and corporations:

- Alaska Permanent Fund Corporation
- Alaska Housing Finance Corporation
- Alaska Mental Health Trust Authority
- Alaska Municipal Bond Bank Authority
- Alaska State Pension Investment Board
- Alcoholic Beverage Control Board

**Department Goals and Strategies**

**Commissioner's Office**

- One of the largest tasks over the next year will be to help lead the state's efforts to promote commercialization of the North Slope's enormous natural gas reserves. Lower 48 market growth has increased the possibility that construction could begin in a couple of years on a gasline to bring Alaska natural gas to mid-America. The state needs to respond quickly and with complete information as North Slope oil and gas producers, pipeline operators, potential investors and others review different options for commercializing Alaska's natural gas reserves. The department's goal is ensuring a fair return to the state treasury from the public resource.

**Tax Division**

The division's goals are intended to ease the filing burden on taxpayers and include:

- Streamline and simplify the fisheries business tax licensing and filing process to reduce the administrative burden on taxpayers and promote tax compliance.
- Design and implement software to eliminate unnecessary examination efforts currently being performed on 70% of corporate returns filed.
- Create a cost-effective web-based electronic filing and licensing application development process.

**Treasury Division**

The division will assist state agencies with conversion to electronic remittances of revenues and related information.

- Automate collection of retirement contributions, unemployment insurance and workers compensation payments, oil and gas and court systems payments via Automated Clearing House.
- Work with agencies to clear receipts within 15 days to reduce CBRF borrowing for cash flow.

**Child Support Division**

The division is committed to increasing its cost-effectiveness ratio -- the total operating budget vs. total collections. To this end, the division will:

- Automate processes to locate noncustodial parents.
- Increase information on the computer so automated enforcement actions will be taken.
- Utilize automated financial data matches.

**Permanent Fund Dividend Division**

- The division is starting its first-ever internal audit program to randomly select several hundred dividend applications each year to verify the eligibility information provided by the applicants. The commissioner's office will assist the division in setting criteria for its eligibility audit program, which is intended to help ensure the integrity of the dividend program and provide a very public deterrent to fraud.

#### Alcoholic Beverage Control Board

In a concerted effort to help reduce alcohol-related accidents and deaths, the ABC Board will:

- Partner with state troopers and local police departments to curb alcohol shipping to dry communities.
- Oversee training of bartenders to ensure that drunken patrons are not served.
- Help state troopers and police respond to complaints of liquor establishments serving drunken patrons.

### **Key Department Issues for FY2002 – 2003**

#### Commissioner's Office

- The commissioner's office will devote a substantial amount of its resources to assisting the Office of the Governor and the Legislature in developing a long-term fiscal plan for the state. This will include research and analysis of revenue issues and proposals, and assisting in presenting that information to the public.

#### Child Support Division

- Child support is critical as more families continue to leave public assistance. The bulk of child support is distributed to families that were formerly on public assistance. The division will continue to focus on getting child support to all parents as quickly as possible, while, at the same time, being responsive and fair to non-custodial parents.
- Recent changes in federal regulations require child support agencies to change the way medical support orders are enforced. This means we must revise state laws and change procedures. We will also educate employers and parents about the new requirements.

#### Permanent Fund Dividend Division

- The 2001 version of the online web based application fell short of the expectations to bring to applicants a user-friendly, quick and easy method of filing for a Permanent Fund dividend on the internet. The division is working on a version that will be simple to use and will allow applicants to use both PC and Mac computers. This new application system will go online in January 2002.

#### Alaska Municipal Bond Bank Authority

- Fiscal Years 2001 and 2002 represent one of the most active periods in the Bond Bank's history. Outstanding debt has increased by over 27% during this time frame, to a balance of \$214.5 million. The Bond Bank will continue to seek to maintain the diversity of the borrowers in the pool, including attempts to attract stronger credits in order to maintain overall credit strength.

#### Alaska Permanent Fund Corporation

- Ensure investment policies maintain the delicate balance between the fund's competing mandates of protecting the principal to benefit future generations and producing income to benefit current generations.

#### Alaska Housing Finance Corporation

- A plan was established in 1995 for AHFC to transfer some of its assets to the state to help meet budgetary needs. That plan called for a "dividend" to the state of \$50 million per year, along with an annual capital budget contribution from AHFC of \$53 million. Although the transfer plan has successfully achieved a consistent payment amount, the \$103 million has exceeded the corporation's net income over the past few years. Discussions should occur to bring the total transfer in line with the corporation's net income.
- Due to recent changes in federal housing programs, AHFC is able to take advantage of new program funding that becomes available. AHFC has applied for and received 430 new Section 8 Housing Choice vouchers. The program helps eligible low-income Alaska families lease privately owned rental units from participating landlords in 11 communities throughout Alaska. Increments using available federal funds have been requested to cover administrative expenses.
- AHFC has developed a Fiscal 2003 budget strategy to fund the deferred maintenance and major renovation of public housing facilities owned and operated by the corporation. The strategy would complete the list of projects covered under AHFC's 10-year modernization plan by combining federal funds and corporate receipts toward the issuance of tax-exempt bonds.

**Alaska Mental Health Trust Authority**

- In light of the stock market changes and volatility, the Mental Health Trust Authority wants to key on maintaining a principal reserve account balance sufficient to protect the disbursement rate over time so as to allow the comprehensive integrated mental health program budget to remain funded at a constant level.

**Alcoholic Beverage Control Board**

- Investigator staffing remains at levels below what was available before construction of the Trans-Alaska Pipeline. Inadequate staffing increases the chances of underage drinking and alcohol-related accidents and deaths. The ABC Board is seeking a budget increment to add one investigator to its two-investigator Anchorage staff.

## **Major Department Accomplishments in 2001**

**Tax Division**

- The Tax Division, working with the commissioner's office, embarked on a major revision to its twice-yearly state revenue forecast booklets. The expanded format is intended to acknowledge the growing role in Alaska's budget filled by federal funding and investment earnings, and to help educate policy makers and the public on the state's fiscal future. The fall 2000 and spring 2001 forecast books were a good start in this effort, which will continue through Fiscal 2002.

**Treasury Division**

- The following funds exceeded their benchmarks in Fiscal 2001: the General Fund, Alaska Children's Trust, Constitutional Budget Reserve Fund, Exxon Valdez Oil Spill Trust Fund, Retiree Health Insurance Long-term Care and Major Medical Funds, Public School Trust, and International Airports Revenue and Construction Funds.
- Implemented a master lease program to allow tax-exempt financing of smaller purchases that were previously financed at taxable rates or purchased for cash.

**Child Support Division**

- The division collected a record \$91 million in Fiscal 2001, almost \$5.5 million more than in Fiscal 2000.
- The division reduced backlogs in all sections. Most notably, at the end of Fiscal 2000, the accounting section had more than 3,000 actions more than 30 days old. At the end of Fiscal 2001, there were fewer than 300 cases more than 30 days old.
- Automating employment data collected through a new federal system allowed the division in Fiscal 2001 to automatically send out wage-withholding orders to out-of-state employers. This has increased collections.
- Federally required changes to the financial portion of the division's computer system were completed.
- The division helped establish a new family pro-se center opened by the Court System.
- The division implemented a new receipt imaging system that reduces the turnaround time for recording payments and mailing checks, and improves accounting controls.

**Alaska Municipal Bond Bank Authority**

- The Bond Bank in Fiscal 2001 completed six bond issuances for a total of almost \$51 million. The communities benefiting from these issuances include the Northwest Arctic Borough, Kenai Peninsula Borough, Kodiak Island Borough, Lake and Peninsula Borough, Wrangell, Nome, Petersburg, Saint Paul and Seward.

**Alaska State Pension Investment Board**

- In 2001 the Public Employees and Teachers Retirement Systems both exceeded their benchmark returns.

**Permanent Fund Corporation**

- Each Permanent Fund Corporation portfolio -- stocks, bonds and real estate -- beat its respective benchmark.

**Alaska Housing Finance Corporation**

- The U.S. Department of Housing and Urban Development awarded AHFC a score of 100% in the annual Public Housing Assessment. The score measures performance in four areas of management of the 1,365 public housing units owned by AHFC:

## Alaska Mental Health Trust Authority

- The Mental Health Trust Authority used trust land and income for a plan to downsize and build the new state psychiatric hospital while improving the Southcentral community-based services to allow for the reduced number of patient beds.

## Governor's Key Department-wide Performance Measures for FY2003

**Measure:**

Child Support Enforcement Division: Total collections.

**Alaska's Target & Progress:**

- The division has made consistent progress in increasing its total collections.
- Fiscal 2001: \$90,902,600
- Fiscal 2000: \$85,430,700
- Fiscal 1999: \$80,940,400

**Measure:**

Permanent Fund Dividend Division: Number of applicants who select direct deposit, as a percentage of total applications.

**Alaska's Target & Progress:**

- The division continues to promote the use of direct deposit, with applicants selecting the option in greater numbers every year.
- October 2001 dividend: 75%
- October 2000 dividend: 73%
- October 1999 dividend: 69%

**Measure:**

Tax Division: Number of tax returns filed electronically.

**Alaska's Target & Progress:**

- The division started with the Motor Fuel Tax and Oil and Gas Production Tax programs in Fiscal 2001, and will continue expanding its electronic filing option to include additional tax programs.
- Fiscal 2001: 98.92% of all Oil and Gas Production Tax returns were filed electronically, and 10.19% of Motor Fuel Tax returns were delivered to the department electronically.

**Measure:**

Commissioner's Office: The average time taken to respond to complaints and questions that have been elevated to the commissioner's office.

Sec 136 (b) (2) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- The average time for a written response to dividend complaints and questions addressed to the commissioner's office was 7.7 calendar days in Fiscal 2001. This follows closely the Fiscal 2000 response time of 6.6 days.

- The average time for a written response to child support complaints and questions addressed to the commissioner's office was 11.5 calendar days in Fiscal 2001. This is consistent with the 11.23 days it took for a response in Fiscal 2000.

**Measure:**

Commissioner's Office: The average time taken to issue decisions in child support and Permanent Fund dividend appeals.

Sec 136 (b) (3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- The average time to issue a child support formal appeal decision is 20 days after the hearing.
- The average time to issue a dividend formal appeal decision is 30 days after the hearing.

**Measure:**

Administrative Services: The cost of administrative services as compared to total personnel costs for the department.

Sec 137 (b) (3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- Fiscal 2002 - Administrative Services budget is \$1,072.4 vs. the department's personal services budget of \$49,063.9
- Fiscal 2002 - Administrative Services total budget is 2.20% of total agency personal services.
- Fiscal 2001 - Administrative Services total budget was 2.28% of total agency personal services.

**Measure:**

Tax Division: The percentage of taxes collected as compared to the percentage of taxes due.

Sec 135 (b) (2) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- Division collections: \$1,344.4
- Division assessments: \$1,355.6
- Percentage of taxes collected: 99.2%

**Measure:**

Child Support Enforcement Division: The number of cases where adjustment is overdue by 30 days or more.

Sec 128 (b) (4) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- At June 30, 2001, the number of cases where adjustments were overdue by 30 days or more was 267.

**Benchmark Comparisons:**

- This is a dramatic reduction from last year at the same time when the number of cases where adjustments were overdue by 30 days or more was 3,150. The backlog was more than 6,000 cases in late fall 1999.

**Background and Strategies:**



- Continue to reduce backlog numbers in the accounting section.

**Measure:**

Child Support Enforcement Division: The percentage of cases in which there are child support orders.  
Sec 128 (b) (5) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- At September 30, 2001, the number of cases with orders established was 78% of the division's total caseload.

**Benchmark Comparisons:**

- The national rate was 61%, per the 2001 Federal Office of Child Support Enforcement Preliminary Data Report.

**Background and Strategies:**

- The division will work to further increase its percentage of cases with child support orders by working toward improving its production standards in the case establishment section.

**Measure:**

Permanent Fund Dividend Division: The percentage of dividend payments sent out on time to eligible applicants.  
Sec 138 (b) (1) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- In 2001, 95% of applicants (563,491) were paid in the October dividend distribution period vs. 93% (544,940) of eligible applicants in 2000.

**Background and Strategies:**

- As we gain efficiencies in reviewing cases, we will be able to increase the number of dividends sent out in October.

**Measure:**

Alaska Permanent Fund Corporation: The corporation's investment expenses compared to the investment expenses of other large institutional funds.  
Sec 131 (b) (1) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- The Permanent Fund has four asset classes that can be evaluated: 1) domestic equities management fees; 2) non-domestic equities management fees; 3) domestic fixed-income management fees; and 4) non-domestic fixed-income management fees.
- As of June 30, 2001 the asset classes compared as follows: 1) domestic equities fees were lower than 63% of the funds surveyed; 2) non-domestic equities fees were lower than 67% of funds surveyed; 3) domestic fixed-income fees were lower than 90% of funds surveyed; and 4) non-domestic fixed-income management fees were lower than 59% of funds surveyed.

**Benchmark Comparisons:**

- Callan Associates Inc. 1999 Fund Sponsor Cost of Doing Business Survey.

**Measure:**

Alaska Housing Finance Corporation: The administrative costs per dollar of investment.  
Sec 132 (b) (1) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- FY01: 4.77% (Operating Expenses/Mortgage Purchases)
- FY00: 5.82% (Operating Expenses/Mortgage Purchases)
- FY99: 5.21% (Operating Expenses/Mortgage Purchases)
- FY98: 7.65% (Operating Expenses/Mortgage Purchases)

**Benchmark Comparisons:**

- AHFC is using the prior year's total "actual" operating expenses divided by the mortgages purchased for the fiscal year as its benchmark. The total "actual" expenses include corporate, federal and CIP receipts used in all AHFC programs.

**Measure:**

Alaska Housing Finance Corporation: The percentage of AHFC-owned housing compared to privately owned housing in the marketplace.

Sec 132 (b) (3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- Fiscal 2001 Market Share: 48.6%
- Fiscal 2000 Market Share: 43.0%
- Fiscal 1999 Market Share: 33.0%
- Fiscal 1998 Market Share: 30.0%

**Benchmark Comparisons:**

- AHFC is using the prior year's "market share" for the fiscal year as its benchmark. The "market share" is calculated by dividing AHFC's loan purchases by Alaska's total mortgage loans made within the fiscal year.

## Department Budget Summary by BRU

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b>Formula Expenditures</b> None.												
<b>Non-Formula Expenditures</b>												
Child Support Enforcement	3,270.2	15,025.2	139.6	18,435.0	3,079.5	15,091.4	0.0	18,170.9	3,407.5	15,506.6	0.0	18,914.1
Alcohol Beverage Control Board	677.8	0.0	86.0	763.8	696.0	0.0	0.0	696.0	845.1	0.0	0.0	845.1
Municipal Bond Bank Authority	0.0	0.0	494.4	494.4	0.0	0.0	521.2	521.2	0.0	0.0	522.7	522.7
Permanent Fund Corporation	0.0	0.0	5,995.7	5,995.7	0.0	0.0	7,703.0	7,703.0	0.0	0.0	7,364.8	7,364.8
PFC Custody and Management Fees	0.0	0.0	34,739.6	34,739.6	0.0	0.0	47,585.8	47,585.8	0.0	0.0	47,585.8	47,585.8
Alaska Housing Finance Corp	0.0	17,351.2	18,659.0	36,010.2	0.0	20,218.6	19,269.3	39,487.9	0.0	21,012.6	22,047.5	43,060.1
AHFC Anch. State Office Bldg.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,228.1	1,228.1
Mental Health Trust Authority	0.0	0.0	1,023.5	1,023.5	0.0	0.0	1,040.3	1,040.3	0.0	0.0	1,532.0	1,532.0
Revenue Operations	7,556.8	0.0	32,388.4	39,945.2	7,847.8	0.0	39,495.1	47,342.9	7,837.4	0.0	5,969.2	13,806.6
ASPIB Bank Custody & Mgmt Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	27,913.6	27,913.6
Administration and Support	754.9	743.7	750.9	2,249.5	924.7	780.5	1,177.2	2,882.4	759.2	845.5	784.8	2,389.5
Permanent Fund Dividend	0.0	0.0	4,962.4	4,962.4	0.0	0.0	5,131.2	5,131.2	0.0	0.0	5,276.7	5,276.7
<b>Totals</b>	<b>12,259.7</b>	<b>33,120.1</b>	<b>99,239.5</b>	<b>144,619.3</b>	<b>12,548.0</b>	<b>36,090.5</b>	<b>121,923.1</b>	<b>170,561.6</b>	<b>12,849.2</b>	<b>37,364.7</b>	<b>120,225.2</b>	<b>170,439.1</b>

## Funding Source Summary

*All dollars in thousands*

<b>Funding Sources</b>	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
1001 Constitutional Budget Reserve Fund	121.7	125.0	125.0
1002 Federal Receipts	29,521.7	32,471.0	33,610.2
1004 General Fund Receipts	7,554.0	8,000.2	7,843.4
1005 General Fund/Program Receipts	4,584.0	4,422.8	4,880.8
1007 Inter-Agency Receipts	4,613.6	3,013.8	3,849.4
1011 Alaska Advance College Tuition Payment Fund	21.2	28.5	
1016 Federal Incentive Payments	2,553.0	2,537.9	2,607.9
1017 Benefits Systems Receipts	90.7	99.0	99.0
1027 International Airport Revenue Fund	31.3	31.6	38.6
1029 Public Employees Retirement Fund	19,586.2	23,936.7	20,276.3
1034 Teachers Retirement System Fund	10,099.5	12,505.6	10,534.7
1042 Judicial Retirement System	168.2	268.4	275.4
1045 National Guard Retirement System	57.2	99.4	102.4
1046 Student Revolving Loan Fund	22.2	22.5	27.2
1050 Permanent Fund Dividend Fund	4,930.4	5,099.2	5,244.7
1053 Investment Loss Trust Fund	131.7	17.6	22.4
1061 Capital Improvement Project Receipts	1,388.4	1,513.8	1,626.4
1066 Public School Fund	57.2	154.6	164.2
1089 Power Cost Equalization Fund	23.0	86.1	
1094 Mental Health Trust Administration	939.9	1,040.3	1,178.0
1098 Children's Trust Fund Earnings	34.3	43.2	52.7
1103 Alaska Housing Finance Corporation Receipts	15,527.8	17,168.2	16,862.2
1104 Alaska Municipal Bond Bank Receipts	494.4	521.2	522.7
1105 Alaska Permanent Fund Corporation Receipts	40,973.1	55,525.9	55,193.0
1108 Statutory Designated Program Receipts	0.2	694.3	
1133 Indirect Cost Reimbursement	1,045.4	1,081.6	1,146.6
1139 AHFC Dividend			4,000.0
1142 Retiree Health Ins Fund/Major Medical	17.5	19.9	23.4
1143 Retiree Health Ins Fund/Long-Term Care Fund	31.5	33.3	36.8
1169 PCE Endowment Fund			95.7
<b>Totals</b>	<b>144,619.3</b>	<b>170,561.6</b>	<b>170,439.1</b>

## Position Summary

<b>Funding Sources</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
Permanent Full Time	810	828
Permanent Part Time	25	39
Non Permanent	56	50
<b>Totals</b>	<b>891</b>	<b>917</b>

## FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Child Support Enforcement Caseload Management System - Phase 2	510,000	990,000	0	1,500,000
Child Support Enforcement Computer Replacement Project - Phase 3	66,300	128,700	0	195,000
Permanent Fund Dividend Electronic Imaging Server Upgrade	0	0	80,000	80,000
AHFC Public Housing Division Construction Program	0	0	55,249,800	55,249,800
AHFC Supplemental Housing Development Program	0	0	4,500,000	4,500,000
AHFC Low Income Weatherization	0	1,800,000	4,000,000	5,800,000
AHFC Senior Citizens Housing Development Program	0	0	1,975,200	1,975,200
AHFC Senior and Statewide Deferred Maintenance and Renovation	0	500,000	0	500,000
AHFC Pacific Terrace Replacement - Phase 1	0	500,000	0	500,000
AHFC Housing and Urban Development Capital Fund Program	0	500,000	0	500,000
AHFC Housing and Urban Development Federal HOME Grant	0	3,159,000	750,000	3,909,000
AHFC Federal and Other Competitive Grants	0	3,000,000	1,250,000	4,250,000
AHFC Competitive Grants for Public Housing	0	750,000	250,000	1,000,000
AHFC Energy Efficiency Monitoring Research	0	0	300,000	300,000
AHFC State Energy Program Special Projects	0	150,000	30,000	180,000
AHFC Central Terrace and Fairmount Renovation Phase 4 (Anchorage)	0	750,000	0	750,000
AHFC Homeless Assistance Program	0	0	1,000,000	1,000,000
AHFC Beneficiary and Special Needs Housing	0	0	800,000	800,000
<b>Department Total</b>	<b>576,300</b>	<b>12,227,700</b>	<b>70,185,000</b>	<b>82,989,000</b>

*This is an appropriation level summary only. For allocations and the full project details see the capital budget.*

## Overview of Departmental Budget Changes

### Treasury Division

The division is requesting two increments for Fiscal 2003:

- \$27.5 to increase a half-time unclaimed property worker to full-time to increase the recovery of assets belonging to Alaskans and, subsequently, to increase deposits to the General Fund. This would include increased work with banks and other financial institutions to ensure property is turned in to Alaska and not other states.
- \$200.0 (\$150.0 ASPIB and other funds and \$50.0 General Funds) to fund salary increases approved for investment officers and other personnel. In past years, Treasury has taken from other budget categories to cover personal services in past years but can no longer absorb the cost. The state must remain competitive with its salaries if it is to attract and retain quality investment personnel to manage the public's multi-billion-dollar portfolio. The Treasury Division determined a fair and reasonable salary level for its investment officers after surveying other operations in Alaska and consulting national averages.

### Child Support Enforcement Division

- The division is requesting \$294.2 for five new positions (Range 14 caseworkers). This would be \$194.2 federal money and \$100.0 from the state General Fund program receipts. Even with improvements in recent years, the division is still short of providing quality service to thousands of parents and their children. Caseloads average more than 1,000 per worker, which does not allow enough time for personal assistance that the public deserves. By comparison, caseloads in Washington State average about 600 per child support worker.
- The division also is requesting a \$100.0 to increase its Reimbursable Service Agreement (RSA) with the Department of Law (\$66.0 federal and \$34.0 state General Fund program receipts). This increment is a function of our increased caseload and the number of cases going to court, and would provide for filling one additional position at Law. The existing RSA is \$1.35 million. The seven attorneys covered under the existing RSA each handle about 80 to 100 open cases at a time.

### Alaska Housing Finance Corporation

AHFC's budget increment and transfer requests include:

- Add CIP funding to cover personal services costs.
- Add federal funding to administer 430 new Section 8 vouchers.
- Add inter-agency funding for Low-Income Home Energy Assistance Program activities.
- Add federal funding for temporary laborers and student hires.
- Transfer federal funding for line-item transfers.

### Alaska Mental Health Trust Authority

- The Mental Health Trust Authority is requesting an \$87.3 increment in trust funds to cover increased personal services costs. This increment would cover restoration of the cut from FY2002 and a graduate-student intern. It also includes funding to cover higher salaries. The trust authority absorbed the salaries in its FY 2002 budget but requests funding for FY 2003.
- The authority also request a \$30.0 increment in trust funds to pay for contractual work for a major regulations project in 2003, as required by AS 47.30.031. The regulations must address the following issues: procedures for aggrieved persons or groups to apply to the Mental Health Trust for redress, provisions that encourage trust-funded services to be integrated with services funded from other sources, provisions for long-range planning for the trust, and criteria for determining the nature and extent of services to be funded from the trust.

### Alcoholic Beverage Control Board

- The ABC Board is requesting a \$96.0 increment in personal services, contractual and travel for one additional investigator position. The additional position would be added to the Anchorage office, where just two investigators are responsible for enforcing Alaska's liquor license laws for more than 1,000 license holders in the Southcentral area. Increased public concern over the enforcement of liquor license laws has stretched the two-person office beyond its ability to effectively respond to complaints, investigations and license renewal issues. The ABC Board maintains one-person offices in Fairbanks and Juneau to cover the rest of the state.

- The board also is requesting a \$35.0 increment in contractual (\$16.0) and travel (\$19.0) to pay for the additional costs of an increasing number of formal hearings on license actions. As the ABC Board takes more actions against license holders, the number of formal hearings also increases. The increment would pay for contract hearing officers and travel costs associated with holding hearings in the communities where the licensees are located.

## Summary of Department Budget Changes by BRU

## From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>12,548.0</b>	<b>36,090.5</b>	<b>121,923.1</b>	<b>170,561.6</b>
<b>Adjustments which get you to start of year:</b>				
-Alaska Housing Finance Corp	0.0	0.0	4,000.0	4,000.0
<b>Adjustments which will continue current level of service:</b>				
-Child Support Enforcement	75.6	144.9	0.0	220.5
-Alcohol Beverage Control Board	15.2	0.0	0.0	15.2
-Municipal Bond Bank Authority	0.0	0.0	1.5	1.5
-Permanent Fund Corporation	0.0	0.0	94.6	94.6
-Alaska Housing Finance Corp	0.0	528.2	525.5	1,053.7
-Mental Health Trust Authority	0.0	0.0	19.0	19.0
-Revenue Operations	-90.7	0.0	-141.0	-231.7
-Administration and Support	-169.6	16.8	22.3	-130.5
-Permanent Fund Dividend	0.0	0.0	75.1	75.1
<b>Proposed budget decreases:</b>				
-Child Support Enforcement	0.0	-89.7	0.0	-89.7
-Permanent Fund Corporation	0.0	0.0	-432.8	-432.8
-AHFC Anch. State Office Bldg.	0.0	0.0	-756.6	-756.6
-ASPIB Bank Custody & Mgmt Fees	0.0	0.0	-5,800.0	-5,800.0
-Administration and Support	0.0	0.0	-498.6	-498.6
<b>Proposed budget increases:</b>				
-Child Support Enforcement	252.4	360.0	0.0	612.4
-Alcohol Beverage Control Board	133.9	0.0	0.0	133.9
-Alaska Housing Finance Corp	0.0	265.8	237.4	503.2
-Mental Health Trust Authority	0.0	0.0	472.7	472.7
-Revenue Operations	80.3	0.0	328.7	409.0
-Administration and Support	4.1	48.2	83.9	136.2
-Permanent Fund Dividend	0.0	0.0	70.4	70.4
<b>FY2003 Governor</b>	<b>12,849.2</b>	<b>37,364.7</b>	<b>120,225.2</b>	<b>170,439.1</b>



## **BRU/Component: Child Support Enforcement**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

**Contact: Barbara Miklos, Director**

**Tel:** (907) 269-6800 **Fax:** (907) 269-6868 **E-mail:** Barbara\_Miklos@revenue.state.ak.us

### **Component Mission**

The mission of the Child Support Enforcement Division is to ensure that children receive the child support due them.

### **Component Services Provided**

The Child Support Enforcement Division (CSED) collects and dispenses child support payments to families that have applied for services or are covered by a court order. The division also collects support on behalf of the State of Alaska for families that are on the Alaska Temporary Assistance Program, Medicaid or have children in state custody and for tribal organizations collecting and dispensing public assistance. Collecting and providing child support payments requires a complex system of services to establish paternity and child support orders and modify and enforce orders. CSED is enforcing approximately 38,000 child support orders.

### **Component Goals and Strategies**

1. Increase the cost-effectiveness ratio of CSED, which is the total operating budget of the division compared to the total amount of collections

- Automate processes to locate noncustodial parents.
- Increase information on the computer so automated enforcement actions will be taken.
- Utilize automated financial data matches.

2. Increase the percentage of current child support collected

- Increase the number of interstate cases with direct withholding.
- Increase contact with paying parents to ensure orders are set at accurate amounts.
- Increase outreach to parents for order modifications and vacating default orders.
- Increase the number of employers reporting new hires to CSED.

3. Reduce the number of child support administrative orders and order modifications that are appealed compared to the total number of new administrative orders and modifications issued during the year

- Maintain the quality assurance programs in establishment and modifications.

4. Reduce the number of cases where adjustments are overdue by 30 days or more

- Continue to reduce backlog numbers in the accounting section.

5. Increase the percentage of cases in which there are child support orders

- Increase the number of cases without orders that are closed appropriately.
- Maintain production standards in the establishment section.

6. Increase the number of cases with arrearages that have collections as compared to the total number of cases with arrearages

- Continue arrearage collection efforts through third-party contractors.
- Maintain community outreach program.

### **Key Component Issues for FY2002 – 2003**

- Child support is more critical as more families continue to leave public assistance. The bulk of child support is distributed to families that were formerly on public assistance. CSED must continue to focus on getting child support to all parents as quickly as possible. At the same time, it is important to be responsive and fair to non-custodial parents.
- Recent changes in federal regulations require child support agencies to change the way we enforce medical support orders. This means we must revise state laws and change procedures. We will also educate employers and parents about the new requirements.
- Automation and system changes continue to be priorities. For the past few years, CSED has focused on meeting federal requirements for an automated case management system. Although we have achieved compliance, a great deal needs to be done to make the system more user friendly and accomplish tasks automatically. We will improve the system at the same time we are upgrading it to avoid obsolescence.

### **Major Component Accomplishments in 2001**

- Reduced backlogs in all sections. Most notably, at the end of FY00, the accounting section had more than 3,000 actions more than 30 days old. At the end of FY01, there were fewer than 300 actions.
- Automating federal employment data in FY01 means that we can automatically send out withholding orders to out-of-state employers. This has increased collections.
- Full implementation of the match program with financial institutions has increased collections.
- Improved coordination between CSED and DFYS allows us to set up foster care cases quicker and more accurately.
- Newly adopted policies, procedures and regulations ensure consistency and clarity in CSED operations.
- Federally required changes to the financial portion of CSED's computer system were completed.
- CSED helped establish a new family pro-se center opened by the Court System.
- CSED implemented a new receipt imaging system that reduces the turnaround time for recording payments and mailing checks, and improves accounting controls.
- In FY01, collections were \$90,902,600. This was \$5,471,900 more than FY00.
- CSED continues to improve our web site, which provides information and access to CSED forms.
- In August 2000, more than 4,500 employers were reporting newly hired staff to CSED. This was a dramatic increase over prior months.
- CSED collected \$390.1 per employee in FY2001, up from \$366.2 in FY1999.
- CSED disbursed over \$16.5 million to states and the federal government as reimbursement for public assistance and foster care payments.

### **Statutory and Regulatory Authority**

AS 25.25  
AS 25.27  
AAC 15.05

AAC 15.125

Federal Law 93-647  
Federal Law 96-265  
Federal Law 96-35

## Key Performance Measures for FY2003

### Measure:

The total operating budget of the division as compared to the total amount of collections.  
Sec 128 (b) (1) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

- FY01 cost effectiveness was \$5.04 collected for every \$1 spent in operating funds.

#### Benchmark Comparisons:

- Although collections increased dramatically in FY01, the cost-effectiveness ratio went down because of increased costs associated with reducing agency backlogs.

#### Background and Strategies:

- Automate processes to locate noncustodial parents.
- Increase information on the computer so automated enforcement actions will be taken.
- Utilize automated financial data matches.

### Measure:

The percentage of current child support collected.  
Sec 128 (b) (2) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

- As of September 30, 2001, the percentage of current child support collected is 51.2%.

#### Benchmark Comparisons:

- Per the FFY00 Federal Office of Child Support Enforcement Preliminary Data Report, the national rate for this measure was 56%.

#### Background and Strategies:

- Increase contact with paying parents to assure orders are set at accurate amounts.
- Increase outreach to parents for order modifications and vacating default orders.
- Increase the number of interstate cases with direct withholding.
- Increase the number of employers reporting new hires to CSED.

### Measure:

The number of child support administrative orders and order modifications that are appealed compared to the total number of new administrative orders and modifications issued during the year.  
Sec 128 (b) (3) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

- The number of administrative orders and order modifications appealed in FY01 was 13%.

#### Benchmark Comparisons:

- Data is not normally reported, making comparisons with other states and entities difficult.

#### Background and Strategies:

- Maintain the quality assurance programs in establishment and modifications.

**Measure:**

The number of cases where adjustment is overdue by 30 days or more.  
Sec 128 (b) (4) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- At June 30, 2001, the number of cases where adjustments were overdue by 30 days or more was 267.

**Benchmark Comparisons:**

- This is a dramatic reduction from last year at the same time when the number of cases where adjustments were overdue by 30 days or more was 3,150. The backlog was more than 6,000 cases in late fall 1999.

**Background and Strategies:**

- Continue to reduce backlog numbers in the accounting section.

**Measure:**

The percentage of cases in which there are child support orders.  
Sec 128 (b) (5) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- At September 30, 2001, the number of cases with orders established was 78.0% of total caseload.

**Benchmark Comparisons:**

- Per the FFY 00 (period ending September 30, 2001) Federal Office of Child Support Enforcement Preliminary Data Report, the national rate for the measure was 61%.

**Background and Strategies:**

- Increase the number of cases without orders that are closed appropriately.
- Maintain production standards in the establishment section.

**Measure:**

The number of cases with arrearages that have collections as compared to the total number of cases with arrearages.  
Sec 128 (b) (6) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- At September 30, 2001, the number of cases with arrears that have collections as compared to the total number of cases with arrearages was 68.5%.

**Benchmark Comparisons:**

- FFY00 data is not yet available. Per the FFY 99 (period ending September 30, 2001) Federal Office of Child Support Enforcement Preliminary Data Report, the national rate for the measure was 54.4%.

**Background and Strategies:**

- Continue arrearage collection efforts through third-party contractors.
- Maintain community outreach program.

## Child Support Enforcement

### Component Financial Summary

*All dollars in thousands*

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	12,507.1	11,594.4	12,140.3
72000 Travel	89.5	80.0	80.0
73000 Contractual	5,573.1	6,179.9	6,341.9
74000 Supplies	158.3	166.1	168.1
75000 Equipment	107.0	150.5	80.8
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>18,435.0</b>	<b>18,170.9</b>	<b>18,811.1</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	12,170.5	12,252.4	12,597.6
1004 General Fund Receipts	118.6	118.6	118.6
1005 General Fund/Program Receipts	3,151.6	2,960.9	3,185.9
1007 Inter-Agency Receipts	92.3	0.0	0.0
1016 Federal Incentive Payments	2,553.0	2,537.9	2,607.9
1053 Investment Loss Trust Fund	47.3	0.0	0.0
1133 Indirect Cost Reimbursement	301.7	301.1	301.1
<b>Funding Totals</b>	<b>18,435.0</b>	<b>18,170.9</b>	<b>18,811.1</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b>Unrestricted Revenues</b>						
Unrestricted Fund	68515	4,613.0	1,500.0	1,500.0	1,500.0	1,500.0
<b>Unrestricted Total</b>		<b>4,613.0</b>	<b>1,500.0</b>	<b>1,500.0</b>	<b>1,500.0</b>	<b>1,500.0</b>
<b>Restricted Revenues</b>						
Federal Receipts	51010	12,170.5	12,252.4	12,119.9	12,597.6	12,597.6
Interagency Receipts	51015	92.3	0.0	0.0	0.0	0.0
General Fund Program Receipts	51060	3,151.6	2,960.9	2,960.9	3,185.9	3,185.9
UA Indirect Cost Recovery	51115	301.7	301.1	301.1	301.1	301.1
Federal Incentive Payments	51378	2,553.0	2,537.9	2,537.9	2,607.9	2,607.9
<b>Restricted Total</b>		<b>18,269.1</b>	<b>18,052.3</b>	<b>17,919.8</b>	<b>18,692.5</b>	<b>18,692.5</b>
<b>Total Estimated Revenues</b>		<b>22,882.1</b>	<b>19,552.3</b>	<b>19,419.8</b>	<b>20,192.5</b>	<b>20,192.5</b>

## Child Support Enforcement

## Proposed Changes in Levels of Service for FY2003

No service changes.

**Summary of Component Budget Changes**  
**From FY2002 Authorized to FY2003 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>3,079.5</b>	<b>15,091.4</b>	<b>0.0</b>	<b>18,170.9</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	54.7	261.5	0.0	316.2
-Year 3 Labor Costs - Fund Change	52.8	-52.8	0.0	0.0
-Delete one-time reappropriation of FY00, Sec 75 CH 61 SLA 2001	-31.9	-63.8	0.0	-95.7
<b>Proposed budget decreases:</b>				
-Court System's federal reimbursable IV-D expenses less than estimated	0.0	-89.7	0.0	-89.7
<b>Proposed budget increases:</b>				
-Improved performance gains additional Federal Incentive funds	0.0	70.0	0.0	70.0
-Caseload Legal Cost Increase	34.0	66.0	0.0	100.0
-5 New Caseworker Positions needed for current workload	100.0	194.2	0.0	294.2
-FY2003 State Facilities Rent increase	15.4	29.8	0.0	45.2
<b>FY2003 Governor</b>	<b>3,304.5</b>	<b>15,506.6</b>	<b>0.0</b>	<b>18,811.1</b>

## Child Support Enforcement

### Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2002 Authorized	FY2003 Governor		
Full-time	234	239	Annual Salaries	9,308,471
Part-time	0	0	COLA	213,748
Nonpermanent	0	0	Premium Pay	23,073
			Annual Benefits	3,482,489
			Less 6.81% Vacancy Factor	(887,481)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>234</b>	<b>239</b>	<b>Total Personal Services</b>	<b>12,140,300</b>

### Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	2	0	0	0	2
Accounting Clerk I	5	0	0	0	5
Accounting Clerk II	3	0	0	0	3
Accounting Spvr I	4	0	0	0	4
Accounting Spvr II	1	0	0	0	1
Accounting Tech I	11	0	0	0	11
Accounting Tech II	12	0	0	0	12
Accounting Tech III	1	0	0	0	1
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	3	0	0	0	3
Administrative Clerk III	39	0	1	0	40
Administrative Manager I	2	0	0	0	2
Analyst/Programmer III	3	0	0	0	3
Analyst/Programmer IV	3	0	0	0	3
Analyst/Programmer V	1	0	0	0	1
Child Support Manager	3	0	0	0	3
Child Support Spec I	91	4	3	2	100
Child Support Spec II	19	1	0	1	21
Child Support Spec III	6	0	1	0	7
Data Processing Mgr II	1	0	0	0	1
Dep Dir Child Spt Enf	1	0	0	0	1
Division Director	1	0	0	0	1
Internal Auditor II	2	0	0	0	2
Investigator III	3	0	0	0	3
Investigator IV	1	0	0	0	1
Micro/Network Spec I	1	0	0	0	1
Micro/Network Tech I	1	0	0	0	1
Micro/Network Tech II	1	0	0	0	1
Personnel Asst I	1	0	0	0	1
Prog Coordinator	2	0	0	0	2
Supply Technician I	1	0	0	0	1
<b>Totals</b>	<b>226</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>239</b>

## **BRU/Component: Alcohol Beverage Control Board**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

### **Contact: Doug Griffin, Executive Director**

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### **Component Mission**

The mission of the Alcoholic Beverage Control Board is to ensure compliance with the state's liquor laws.

### **Component Services Provided**

#### **ENFORCE ALCOHOLIC BEVERAGE LAWS.**

- License those engaged in the legal manufacture and sale of alcoholic beverages.
- Conduct investigations and criminal background reviews of liquor licensees.
- Accredit statutorily required alcohol server training.
- Provide information on alcoholic beverage laws and the liquor licensing process to local governments, police departments, Alaska State Troopers, community councils, hospitality industry trade groups and the public.

### **Component Goals and Strategies**

#### **1. REDUCE UNDERAGE ACCESS TO ALCOHOLIC BEVERAGES**

- Partner with local police departments to share information and perform inspections so underage consumption can be stopped and prosecuted.
- Disseminate information to local governments and community councils regarding ways to communicate concerns and activities regarding underage alcohol consumption.
- Support sting operations in response to complaints where underage patrons are alleged to be buying alcohol.
- Oversee training of alcohol servers so underage patrons are denied access to alcohol.
- Partner with the Department of Public Safety to publicize consequences of underage purchase, use and possession of alcohol.
- Enforce laws through spot inspections of bars and cite bar owners and underage patrons for violations.
- Perform routine inspections to assure servers are trained and liquor licenses are current.
- Promote and increase safety when licensing premises by encouraging and considering citizen and local government comments regarding location, background and character of owners, and history of alcohol consumption in vicinity of proposed premises.
- Help dry communities develop strategies to curb bootlegging.
- Help damp communities develop strategies to prevent and control alcohol abuse.

#### **2. REDUCE ALCOHOL RELATED ACCIDENTS AND DEATHS**

- Partner with state troopers and local police departments to curb alcohol shipping to dry communities.
- Oversee training of bartenders to assure that drunken patrons are not served.
- Attend community council and other public meetings to publicize alcohol beverage laws and strategies to reduce alcohol abuse.
- Help state troopers and police departments respond to complaints of liquor licensed establishments serving drunken patrons.
- Cite licensed establishments to foster increased compliance with Alaska's liquor laws.



## Key Component Issues for FY2002 – 2003

- Investigator staffing remains at levels below what was available prior to the construction of the Trans-Alaska Pipeline. Inadequate staffing increases the chances of underage drinking and alcohol related accidents and deaths.
- Funding for required formal hearings to address serious violations is inadequate. This places pressure on the ABC Board to settle actions against licensees to avoid the cost of the formal hearing. This pressure to settle may not always be in the public interest.

## Major Component Accomplishments in 2001

- Resolved 100% of civil accusations by imposing ABC Board sanctions.
- Conducted inspections in remote area of Alaska and conducted 199 premise inspections.
- Processed license applications within the 90-day statutory window 100% of the time.
- Completed compilation of database of liquor licenses and ABC licensing and permit forms, and made it available to the public via the ABC web page.
- Successfully administered the Underage Access to Alcohol grant program.
- For one full year beginning July 1, 2000 through June 30, 2001, the Alcoholic Beverage Control Board issued Notices of Violation that produced the following compliance rates for beverage dispensary, restaurant, club and package store licensees (total of 1,395 licenses of these types) of the following types of violations:

Serving underage (minors)	45 violations
Serving drunken persons	2 violations
Lack of server training	16 violations

## Statutory and Regulatory Authority

AS 04  
15 AAC 104

## Key Performance Measures for FY2003

### Measure:

The cost of providing compliance services compared to the number of licenses per year.  
Sec 129 (b) (1) Ch 90 SLA 2001(HB 250)

### Alaska's Target & Progress:

- FY2000 - Cost of compliance services was \$290,500 for 1,825 liquor licenses (compliance costs of \$159 per license).

### Measure:

The cost of certifying or providing training services compared to the number of servers trained per year.  
Sec 129 (b) (2) Ch 90 SLA 2001(HB 250)

### Alaska's Target & Progress:

- FY 2000-Cost of certifying or providing training services was \$700 for 6,569 servers trained (\$0.11 cents per server trained).

### Measure:

The percentage of noncompliant licenses compared to the number of licenses held per year.  
Sec 129 (b) (3) Ch 90 SLA 2001(HB 250)

### Alaska's Target & Progress:

- FY2000-5.5% noncompliant licenses of 1,825 licenses.

## Alcohol Beverage Control Board

## Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	585.3	577.6	650.8
72000 Travel	21.4	25.1	53.1
73000 Contractual	149.6	87.9	129.8
74000 Supplies	4.0	4.1	5.1
75000 Equipment	3.5	1.3	6.3
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>763.8</b>	<b>696.0</b>	<b>845.1</b>
<b>Funding Sources:</b>			
1005 General Fund/Program Receipts	677.8	696.0	845.1
1007 Inter-Agency Receipts	72.1	0.0	0.0
1053 Investment Loss Trust Fund	13.9	0.0	0.0
<b>Funding Totals</b>	<b>763.8</b>	<b>696.0</b>	<b>845.1</b>

## Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b>Unrestricted Revenues</b>						
Unrestricted Fund	68515	1,112.5	1,750.0	1,750.0	1,600.9	1,600.9
<b>Unrestricted Total</b>		<b>1,112.5</b>	<b>1,750.0</b>	<b>1,750.0</b>	<b>1,600.9</b>	<b>1,600.9</b>
<b>Restricted Revenues</b>						
Interagency Receipts	51015	72.1	0.0	0.0	0.0	0.0
General Fund Program Receipts	51060	677.8	696.0	696.0	845.1	845.1
<b>Restricted Total</b>		<b>749.9</b>	<b>696.0</b>	<b>696.0</b>	<b>845.1</b>	<b>845.1</b>
<b>Total Estimated Revenues</b>		<b>1,862.4</b>	<b>2,446.0</b>	<b>2,446.0</b>	<b>2,446.0</b>	<b>2,446.0</b>

**Alcohol Beverage Control Board****Proposed Changes in Levels of Service for FY2003**

No anticipated service changes

**Summary of Component Budget Changes****From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>696.0</b>	<b>0.0</b>	<b>0.0</b>	<b>696.0</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	15.2	0.0	0.0	15.2
<b>Proposed budget increases:</b>				
-Alcohol Initiative: Add new Investigator for enforcement of Alaska's liquor laws	96.0	0.0	0.0	96.0
-Alcohol Initiative: Increase needed to investigate complaints and assist local law enforcement	35.0	0.0	0.0	35.0
-FY2003 State Facilities Rent increase	2.9	0.0	0.0	2.9
<b>FY2003 Governor</b>	<b>845.1</b>	<b>0.0</b>	<b>0.0</b>	<b>845.1</b>

## Alcohol Beverage Control Board

## Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2002 Authorized	FY2003 Governor		
Full-time	9	10	Annual Salaries	495,493
Part-time	0	0	COLA	11,852
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	164,219
			Less 3.09% Vacancy Factor	(20,764)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>9</b>	<b>10</b>	<b>Total Personal Services</b>	<b>650,800</b>

## Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Administrative Clerk III	2	0	0	0	2
Division Director	1	0	0	0	1
Investigator II	1	0	0	0	1
Investigator III	1	1	1	0	3
Investigator IV	1	0	0	0	1
Records & Licensing Spvr	1	0	0	0	1
<b>Totals</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>10</b>

## **BRU/Component: Municipal Bond Bank Authority**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

### **Contact: Betty Martin, Comptroller**

**Tel:** (907) 465-2352 **Fax:** (907) 465-2394 **E-mail:** Betty\_Martin@revenue.state.ak.us

### **Component Mission**

The mission of the Alaska Municipal Bond Bank is to provide municipalities with financing options for capital projects.

### **Component Services Provided**

- Issue bonds to make loans to municipalities for capital projects at lower rates than the municipalities would incur elsewhere.
- Help municipalities gain experience in financial markets and establish a positive credit history.
- Monitor opportunities to issue bonds to refinance existing debt.

### **Component Goals and Strategies**

#### **1. INCREASE THE AWARENESS OF THE BOND BANK'S SERVICES**

- Plan communications effort targeted at current users, potential new users, and the Legislature to keep them informed of Bond Bank services and revenue-generating potential.
- Provide support and training to municipalities in their capital improvement financing programs.

#### **2. REFINANCE EXISTING DEBT TO REDUCE MUNICIPALITIES' COSTS**

- Review the current debt portfolio and determine if any outstanding issues provide significant refinancing opportunities under current market conditions.

#### **3. MAINTAIN BOND BANK'S CREDIT RATING**

### **Key Component Issues for FY2002 – 2003**

- Fiscal Years 2001 and 2002 represent one of the most active periods in the history of the AMBBA. Outstanding debt has increased by over 27% during this timeframe to a balance of \$214.5 million outstanding. This leaves \$85.5 million that the Bond Bank can issue under its statutory limitation of \$300 million. The Bond Bank will continue to seek to maintain the diversity of the borrowers in the pool, including attempts to attract stronger credits in order to maintain overall credit strength.

### **Major Component Accomplishments in 2001**

- During FY2001 the Bond Bank completed six bond issuances for a total of \$50,772,878. The communities benefiting from these issuances include the Northwest Arctic Borough, the City of Wrangell, the City of Nome, the City of Petersburg, the Lake & Peninsula Borough, the City of Saint Paul, the Kenai Peninsula Borough, the Kodiak Island Borough, and the City of Seward.

### **Statutory and Regulatory Authority**

AS 44.85.020

## Key Performance Measures for FY2003

### Measure:

The number of capital projects financed or refinanced with bonds as compared to the total number of projects for which applications were made.

Sec 130 (b) (1) Ch 90 SLA 2001(HB 250)

### Alaska's Target & Progress:

- The Bond Bank received 14 applications in Fiscal Year 2001, 11 of which resulted in 15 projects being financed in 9 communities. The remaining three applications from FY 2001 were funded in the first six months of FY 2001. Year to date in FY 2002 the Bond Bank has issued \$23,140,000 in four series of bonds to fund seven projects.

### Benchmark Comparisons:

- Perform year-to-year trend analysis.

### Measure:

The par amount of bonds issued during the year and estimated savings to Alaska communities through Bond Bank sales.

Sec 130 (b) (2) Ch 90 SLA 2001(HB 250)

### Alaska's Target & Progress:

- In FY 2001 the Bond Bank issued bonds in a par amount of \$50,772,87. Communities are estimated to have saved \$3,856,000 through the Bond Bank participating in these financings.

### Measure:

The cost of operations compared to the value of the bonds issued.

Sec 130 (b) (3) Ch 90 SLA 2001(HB 250)

### Alaska's Target & Progress:

- During FY2001, the Bond Bank issued \$50.7 million in bonds. Their total expenditures for the same period were \$.5 million. Cost of operations represented 1% of the total bonds issued.

**Municipal Bond Bank Authority**  
**Component Financial Summary**

*All dollars in thousands*

	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	64.1	64.9	66.4
72000 Travel	5.9	10.1	10.1
73000 Contractual	424.4	442.4	442.4
74000 Supplies	0.0	3.8	3.8
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>494.4</b>	<b>521.2</b>	<b>522.7</b>
<b>Funding Sources:</b>			
1104 Alaska Municipal Bond Bank Receipts	494.4	521.2	522.7
<b>Funding Totals</b>	<b>494.4</b>	<b>521.2</b>	<b>522.7</b>



**Municipal Bond Bank Authority****Proposed Changes in Levels of Service for FY2003**

No anticipated change in services provided

**Summary of Component Budget Changes****From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>521.2</b>	<b>521.2</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	1.5	1.5
<b>FY2003 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>522.7</b>	<b>522.7</b>

**Municipal Bond Bank Authority****Personal Services Information**

Authorized Positions			Personal Services Costs	
	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>		
Full-time	1	1	Annual Salaries	48,660
Part-time	0	0	COLA	1,033
Nonpermanent	0	0	Premium Pay	1,497
			Annual Benefits	16,537
			<i>Less 1.96% Vacancy Factor</i>	(1,327)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>Total Personal Services</b>	<b>66,400</b>

**Position Classification Summary**

<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
Administrative Manager III	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>

## **BRU/Component: Permanent Fund Corporation**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

### **Contact: Robert D. Storer, Executive Director**

**Tel:** (907) 465-2047 **Fax:** (907) 586-2057 **E-mail:** rstorer@alaskapermfund.com

### **Component Mission**

The mission of the Alaska Permanent Fund Corporation is to maximize the value of the Permanent Fund through prudent long-term investment.

### **Component Services Provided**

Investment of financial assets in equities, fixed income, real estate, and alternative investments. Produce earnings sufficient to meet dual legislative mandate: inflation proofing and dividends. Provide accurate investment management and accounting of all Permanent Fund assets, including Science and Technology, Mental Health Trust and International Trade & Business Endowment Fund assets. Distribute quarterly and annual financial reports, informational brochures; and increase public awareness and understanding of Permanent Fund goals and objectives.

### **Component Goals and Strategies**

1. Maximize the funds total return over time in a manner consistent with the long-term objective and risk tolerance.
2. Develop and implement a board-approved plan to take advantage of the new investment flexibility building upon the framework of the existing investment program.
3. Continue to promote legislative adoption of a payout rule based on a percentage of market value (POMV) distribution of fund income.
4. Consolidate and keep current all corporate information technology resources, systems and capabilities; and maximize their usefulness to APFC staff.
5. Ensure strong monitoring and internal control systems are in place.

### **Key Component Issues for FY2002 – 2003**

- Plan for and manage investment risk during times of increasing market volatility, while taking advantage of opportunities to increase returns (including the increased statutory flexibility).
- Ensure investment policies maintain the delicate balance between the fund's competing mandates of protecting the principal to benefit future generations and producing income to benefit current generations.
- Provide Alaskans with timely and accurate information on the fund, in support of discussions on the fund's role in Alaska's fiscal and economic future.

### **Major Component Accomplishments in 2001**

- Each Permanent Fund portfolio - stocks, bonds and real estate - beat its respective benchmark.
- Consolidated and simplified board investment specific resolutions for each asset class.
- Reviewed all benchmarks within context of asset allocation goals.
- Implemented a management plan for the corporation outlining the goals and tasks to be accomplished each fiscal year.

## Statutory and Regulatory Authority

AS 37.13

### Key Performance Measures for FY2003

#### Measure:

The corporation's investment expenses compared to the investment expenses of other large institutional funds.  
Sec 131 (b) (1) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

- The Permanent Fund has four asset classes that can be evaluated: 1) domestic equities management fees; 2) non-domestic equities management fees; 3) domestic fixed-income management fees; and 4) non-domestic fixed-income management fees.
- As of June 30, 2001 the asset classes compared as follows: 1) domestic equities fees were lower than 63% of the funds surveyed; 2) non-domestic equities fees were lower than 67% of funds surveyed; domestic fixed-income fees were lower than 90% of funds surveyed; and 4) non-domestic fixed-income management fees were lower than 59% of funds surveyed.

#### Benchmark Comparisons:

- Callan Associates Inc. 1999 Fund Sponsor Cost of Doing Business Survey.

#### Background and Strategies:

- All Alaska Permanent Fund Corporation equities, non-domestic fixed-income securities and a portion of domestic fixed-income securities are managed by external professionals (both active and passive styles). The remainder of domestic fixed-income securities are managed internally. Real estate assets are also managed externally, but investment expenses are netted against income.

#### Measure:

The total return by asset type compared to other institutional funds.  
Sec 131 (b) (2) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

- The Alaska Permanent Fund has five asset classes that can be evaluated for one-year and five-year periods as of June 30, 2001. Total return by asset type compared to other institutional funds. The Permanent Fund Corporation's return will be listed first, then the median return for other institutional funds.

- 1) Domestic equities: One year, -13.1% / -5.3%; Five years, 13.1% / 14.9%
- 2) Non-domestic equities: One year, -22.9% / -23.4%; Five years, 6.0% / 6.0%
- 3) Domestic fixed-income: One year, 11.4% / 11.0%; Five years, 7.1% / 7.4%
- 4) Non-domestic fixed-income: One year, 0.8% / -6.5%; Five years, no data available
- 5) Real estate: One year, 14.3% / 10.2%, Five years, 11.9% / 10.3%

#### Benchmark Comparisons:

- Asset allocation adjusted rankings from the Callan Associates, Inc. Investment Measurement Service.

#### Background and Strategies:

- Comparing returns among similar large investment funds is a standard process.

#### Measure:

The inflation-adjusted rate of return over time.  
Sec 131 (b) (3) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

- The board has quantified this goal to achieve a real rate of return of 4% over time.
- The Fund's total return for fiscal year 2001 was -3.3% with an inflation rate of 3.4%. The real (inflation-adjusted) rate of return was -6.7%. The annualized total return for the past five years is 9.5% with a 5-year annualized CPI rate of 2.5%. The real (inflation-adjusted) rate of return is 7.0% average for the past 5 years.

**Benchmark Comparisons:**

- Total Fund return less national CPI.

**Permanent Fund Corporation**  
**Component Financial Summary**

*All dollars in thousands*

	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	2,731.3	2,903.1	2,997.7
72000 Travel	235.2	352.9	329.3
73000 Contractual	2,820.4	4,155.0	3,761.1
74000 Supplies	30.0	49.3	49.3
75000 Equipment	178.8	242.7	227.4
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>5,995.7</b>	<b>7,703.0</b>	<b>7,364.8</b>
<b>Funding Sources:</b>			
1105 Alaska Permanent Fund Corporation Receipts	5,995.7	7,703.0	7,364.8
<b>Funding Totals</b>	<b>5,995.7</b>	<b>7,703.0</b>	<b>7,364.8</b>

## Permanent Fund Corporation

## Proposed Changes in Levels of Service for FY2003

No anticipated service changes

## Summary of Component Budget Changes

## From FY2002 Authorized to FY2003 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>7,703.0</b>	<b>7,703.0</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	94.6	94.6
<b>Proposed budget decreases:</b>				
-Operations Decrement due to cost saving measures	0.0	0.0	-432.8	-432.8
<b>FY2003 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>7,364.8</b>	<b>7,364.8</b>

## Permanent Fund Corporation

## Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2002 Authorized	FY2003 Governor		
Full-time	32	32	Annual Salaries	2,416,382
Part-time	0	0	COLA	83,072
Nonpermanent	3	3	Premium Pay	0
			Annual Benefits	651,028
			Less 4.85% Vacancy Factor	(152,782)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>35</b>	<b>35</b>	<b>Total Personal Services</b>	<b>2,997,700</b>

## Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant	0	0	4	0	4
Administrative Assistant	0	0	2	0	2
Administrative Clerk I	0	0	1	0	1
Administrative Officer	0	0	1	0	1
Administrative Specialist	0	0	2	0	2
Chief Financial Officer	0	0	1	0	1
Chief Investment Officer	0	0	1	0	1
Computer Info. Systems Spec.	0	0	2	0	2
Controller	0	0	1	0	1
Director of Administration-PFC	0	0	1	0	1
Director of Communications-PFC	0	0	1	0	1
Executive Director, PFC	0	0	1	0	1
Executive Secretary	0	0	1	0	1
Executive Secretary I	0	0	2	0	2
Information Systems Manager	0	0	1	0	1
Intern	0	0	2	0	2
Investment Associate	0	0	2	0	2
Investment Officer	0	0	7	0	7
Secretary	0	0	1	0	1
Senior Comp. Info. Sys. Spec.	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>35</b>	<b>0</b>	<b>35</b>



## **BRU/Component: PFC Custody and Management Fees**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

**Contact: Robert D. Storer, Executive Director**

**Tel:** (907) 465-3185 **Fax:** (907) 586-2057 **E-mail:** rstorer@alaskapermfund.com

### **Component Mission**

The mission of the Alaska Permanent Fund Corporation is to maximize the value of the Permanent Fund through prudent long-term investment.

### **Component Services Provided**

Investment of financial assets in equities, fixed income, real estate, and alternative investments. Produce earnings sufficient to meet dual legislative mandate: inflation proofing and dividends. Provide accurate investment management and accounting of all Permanent Fund assets, including Science and Technology, Mental Health Trust and International Trade & Business Endowment Fund assets. Distribute quarterly and annual financial reports, informational brochures; and increase public awareness and understanding of Permanent Fund goals and objectives.

### **Component Goals and Strategies**

1. Maximize the fund's total return over time in a manner consistent with the long-term objective and risk tolerance.
2. Develop and implement a board-approved plan to take advantage of the new investment flexibility building upon the framework of the existing investment program.
3. Continue to promote legislative adoption of a payout rule based on a percentage of market value (POMV) distribution of fund income.
4. Consolidate and keep current all corporate information technology resources, systems and capabilities; and maximize their usefulness to APFC staff.
5. Ensure strong monitoring and internal control systems are in place.

### **Key Component Issues for FY2002 – 2003**

- Plan for and manage investment risk during times of increasing market volatility, while taking advantage of opportunities to increase returns (including the increased statutory flexibility).
- Ensure investment policies maintain the delicate balance between the fund's competing mandates of protecting the principal to benefit future generations and producing income to benefit current generations.
- Provide Alaskans with timely and accurate information on the fund, in support of discussions on the fund's role in Alaska's fiscal and economic future.

### **Major Component Accomplishments in 2001**

- Each Permanent Fund portfolio - stocks, bonds and real estate - beat its respective benchmark.
- Consolidated and simplified board investment specific resolutions for each asset class.
- Reviewed all benchmarks within context of asset allocation goals.
- Implemented a management plan for the corporation outlining the goals and tasks to be accomplished each fiscal year.

## Statutory and Regulatory Authority

AS 37.13

### Key Performance Measures for FY2003

#### Measure:

The corporation's investment expenses compared to the investment expenses of other large institutional funds.  
Sec 131 (b) (1) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

- The Permanent Fund has four asset classes that can be evaluated: 1) domestic equities management fees; 2) non-domestic equities management fees; 3) domestic fixed-income management fees; and 4) non-domestic fixed-income management fees.
- As of June 30, 2001 the asset classes compared as follows: 1) domestic equities fees were lower than 63% of the funds surveyed; 2) non-domestic equities fees were lower than 67% of funds surveyed; domestic fixed-income fees were lower than 90% of funds surveyed; and 4) non-domestic fixed-income management fees were lower than 59% of the funds surveyed.

#### Benchmark Comparisons:

- Callan Associates Inc. 1999 Fund Sponsor Cost of Doing Business Survey.

#### Background and Strategies:

- All Alaska Permanent Fund Corporation equities, non-domestic fixed-income securities and a portion of domestic fixed-income securities are managed by external professionals (both active and passive styles). The remainder of domestic fixed-income securities are managed internally. Real estate assets are also managed externally, but investment expenses are netted against income.

#### Measure:

The total return by asset type compared to other institutional funds.  
Sec 131 (b) (2) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

- The Alaska Permanent Fund has five asset classes that can be evaluated for 1-year and 5-year periods as of June 30, 2001. The Permanent Fund Corporation's return will be listed first then the median return for other institutional funds.
- 1) Domestic equities: One year, -13.1% / -5.3%; Five years, 13.1% / 14.9%
  - 2) Non-domestic equities: One year, -22.9% / -23.4%; Five years, 6.0% / 6.0%
  - 3) Domestic fixed-income: One year, 11.4% / 11.0%; Five years, 7.1% / 7.4%
  - 4) Non-domestic fixed-income: One year, 0.8% / -6.5%; Five years, 7.1% / 7.4%
  - 5) Real estate: One year, 14.3% / 10.2%, Five years, 11.9% / 10.3%

#### Benchmark Comparisons:

- Asset allocation adjusted rankings from the Callan Associates, Inc. Investment Measurement Service.

#### Background and Strategies:

- Comparing returns among similar large investment funds is a standard process.

**Measure:**

The inflation-adjusted rate of return over time.  
Sec 131 (b) (3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- The board has quantified this goal to achieve a real rate of 4% over time.
- The Fund's total return for fiscal year 2001 was -3.3% with an inflation rate of 3.4%. The real (inflation adjusted) rate of return was -6.7%. The annualized total return for the past five year is 9.5% with a 5-year annualized CPI rate of 2.5%. The real (inflation adjusted) rate of return is 7.0% average for the past 5 years.

**Benchmark Comparisons:**

- Total Fund return less national CPI.

**PFC Custody and Management Fees****Component Financial Summary***All dollars in thousands*

	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	34,739.6	47,585.8	47,585.8
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>34,739.6</b>	<b>47,585.8</b>	<b>47,585.8</b>
<b>Funding Sources:</b>			
1105 Alaska Permanent Fund Corporation Receipts	34,739.6	47,585.8	47,585.8
<b>Funding Totals</b>	<b>34,739.6</b>	<b>47,585.8</b>	<b>47,585.8</b>

## PFC Custody and Management Fees

### Proposed Changes in Levels of Service for FY2003

No anticipated service change

### Summary of Component Budget Changes

#### From FY2002 Authorized to FY2003 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>47,585.8</b>	<b>47,585.8</b>
<b>FY2003 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>47,585.8</b>	<b>47,585.8</b>

## **BRU/Component: Alaska Housing Finance Corporation Operations**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

**Contact: Les Campbell, Budget Director**

**Tel:** (907) 330-8335 **Fax:** (907) 330-8361 **E-mail:** lcampbel@ahfc.state.ak.us

### **Component Mission**

The mission of the Alaska Housing Finance Corporation is to provide access to housing and the Alaska dividend.

### **Component Services Provided**

Provide, purchase, and/or participate in mortgage loan programs statewide:

- Conventional loan programs;
- First-time home buyer program;
- Veteran loan programs;
- Multi-family housing programs;
- Rural loan programs.

Manage, operate, and maintain public housing and rental assistance programs;  
Administer the state's senior housing programs;  
Administer the state's weatherization programs;  
Administer the state energy program (SEP);  
Coordinate Alaska's housing strategy and homeless programs;  
Administer state and federal housing grants;  
Develop and modernize public housing;  
Administer low-income tax credits;  
Provide workshops and training (i.e. Home Choice, grant writing, energy, etc.);  
Provide access to low-cost capital.

### **Component Goals and Strategies**

**1. *Provide programs and services that are responsive to the diverse housing needs statewide:***

- ~ Increase housing and finance options for rural areas.
- ~ Define AHFC's role in meeting supporting infrastructure needs.
- ~ Review and update existing regulations.
- ~ Review statutes and identify needed changes.
- ~ Increase leveraging of housing-related grants and other resources from other sources.
- ~ Expand and promote family self-sufficiency.
- ~ Continue to develop and refine procedures to market an increasing supply of vouchers.
- ~ Refine plan/policies to resolve arbitrage-allocation issues.

**2. *Increase and sustain homeownership:***

- ~ Identify needs (existing gaps) in attaining and maintaining homeownership.
- ~ Match AHFC's homeownership programs to needs and educate public.
- ~ Streamline loan-application process.
- ~ Identify supporting infrastructure needs.
- ~ Preserve, upgrade and build the housing supply through energy and weatherization programs.

**3. *Increase special- needs housing:***

- ~ Work cooperatively with consumers, advocates, and special needs service providers to identify and address needs.
- ~ Work with the Alaska Mental Health Trust Authority in addressing the housing need of trust beneficiaries.
- ~ Develop incentives to encourage more development of special-needs housing.

**4. *Strengthen partnerships to improve program and service delivery:***

- ~ Strengthen relationships with housing delivery organizations.
- ~ Secure funding for a statewide housing conference.
- ~ Strengthen partnerships with government entities to address non-housing operations.
- ~ Update business relationships with other financial institutions.

**5. *Strengthen public understanding and commitments to AHFC housing programs and services:***

- ~ Strengthen cooperative relationships with governmental constituencies.
- ~ Strengthen cooperative relationships with public constituencies.
- ~ Maintain a public relations plan.

**6. *Promote operational excellence:***

- ~ Develop training program to strengthen staff knowledge and skills.
- ~ Identify and implement new or improved work processes and technology that benefit operations.
- ~ Utilize a mix of internal and external audit and feedback methodologies to measure and evaluate AHFC's performance.
- ~ Develop strategy to enhance customer service.
- ~ Identify survey mechanism most suitable for corporation purposes.
- ~ Modernize and rehabilitate corporate-owned and operated public housing in accordance with the 10-year plan.
- ~ Develop and implement plan to address employee compensation.
- ~ Implement personnel management techniques to strengthen internal communication and motivation.
- ~ Develop and implement a technology and e-commerce plan.
- ~ Sustain adequate operating budget to address public housing maintenance.

**7. *Manage finances to maximize AHFC's profits:***

- ~ Develop financial plan to manage risk, increase profit and meet financial commitments.
- ~ Update fiscal policies and mortgage programs to support financial plan.
- ~ Actively manage debt portfolio to enhance loan programs.
- ~ Develop strategies to retain a higher share of AHFC's profits.

### **Key Component Issues for FY2002 – 2003**

- AHFC strives hard to maintain an equitable balance between the Corporation's ability to meet its mission of ensuring quality and affordable housing for Alaskans, and to maintain levels of net income sufficient to meet financial expectations and obligations to the State of Alaska. This balance is achieved through the annual budget process that allocates AHFC's preceding year net income towards the Corporation's ongoing housing programs and State fiscal needs.

AHFC is recognized as a leading housing authority in the nation for its strong management, innovative programs, excellent bond ratings, and financial strength. In recent years, AHFC has used this recognition to assist the State by issuing bonds (backed by the full faith and credit of the Corporation) to fund state deferred maintenance, capital construction, and other financing needs. This was done in a manner that protected the Corporation as a going concern to ensure that bond ratings by the nation's capital markets were preserved.

For the FY03 budget discussion, AHFC has developed a strategy to fund the deferred maintenance and major renovation of public housing facilities owned and operated by the Corporation. The strategy would complete the list of project covered under its 10-Year Modernization Plan by combining Federal Funds and Corporate Receipts towards the issuance of tax-exempt bonds.

By authorizing the Corporation to complete the 10-Year Modernization Plan, both the fiscal needs of the State and AHFC's mission are being met. Assets of the Corporation are being maintained and modernized, hundreds of low-income families (many who are senior citizens) will obtain better housing, and corporate funded expenditures for public housing will be leveraged and stretched out in manner that makes dollars available in FY03.

- In 1995, a plan was established for a transfer of assets (the "transfer plan"). That plan called for a "dividend" to the state of \$50 million per year, along with an annual capital budget of \$53 million. Discussions over time began to characterize AHFC's "dividend" as the combination of the two parts, or \$103 million per year. While the transfer plan has successfully achieved a consistent payment amount, the \$103 million amount has exceeded the net income of this corporation over the past few years.

Both the Governor and the Legislature have leveraged the \$50 million portion by pledging this amount toward a series of bond issuances. Almost \$300 million worth of state capital project bonds were issued by AHFC by obligating these payments through the year 2007. In other words, the “dividend” portion of the transfer plan has already been spent for the next six years.

That leaves the \$53 million portion for capital projects. While the numbers vary each year, just less than half of this amount is returned to AHFC for our own housing programs such as low-income weatherization, homeless assistance grants, senior housing development, and public housing construction, renovations, & maintenance. The largest portion is used to pay for state projects like water and sewer improvements, Pioneer Home renovations, and other needs. In effect, AHFC has been paying out more than it is making. Discussions must take place to bring the total transfer in line with net income.

- Due to recent changes in federal housing programs, AHFC is able to take advantage of new program funding that becomes available. AHFC has applied for and received 430 new Section 8 Housing Choice vouchers. The Housing Choice Voucher Program provides eligible low-income Alaskans with a method of obtaining affordable housing. It helps families lease privately owned rental units from participating landlords. The Alaska Housing Finance Corporation’s Public Housing Division administers the voucher program in 11 communities throughout Alaska. Increments using available federal funds have been requested to cover administrative expenses.
- Senior housing remains a concern to the corporation. Housing needs for senior Alaskans continue to grow larger as the senior population increases faster than affordable housing can be provided. Developers, contractors, and nonprofit agencies continue to work with the corporation to leverage funds and bring affordable housing and services to Alaska’s senior citizens. However, project development startup costs are high and providers are hesitant to go through the long expensive process only to see their efforts dashed at the tail end of proposals.
- AHFC is still having difficulty attracting and retaining quality employees. AHFC has restructured its salary schedule to combat this problem. The new salary schedule eliminates longevity. The FY2003 budget request includes funding to pay for merit increases outlined in the new salary schedule.

### Major Component Accomplishments in 2001

- Since the inception of the corporation, the state has contributed a total of \$1,069,523,000 to the corporation. As of June 30, 2000, the corporation has transferred funds back to the state totaling \$1,128,671,000.
- HUD has revised the FY2000 score to 100%. The original score received was a 92.9% (high performer) score on HUD’s FY2000 new Public Housing Assessment System (PHAS). The score measures performance in four areas of management of the 1365 public housing units owned by AHFC:
- Developed, published, and distributed agency-wide third annual *Missions and Measures* for results-oriented budgeting for the Corporation.
- Provided \$755 million for 4,974 Alaskans to purchase homes.
- Maintained a delinquency rate of less than 4%.
- Contributed over \$8.7 million in servicing fees to Alaskan lenders.
- Maintained REOs (real estate owned) at less than 10.
- Purchased 2,181 new tax-exempt first-time home buyer loans totaling \$213.5 million.
- Provided lower mortgage rates to 1,238 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program (IRRLIB).
- Purchased 1.193 Energy Efficiency Interest Rate Reduction (EEIRR) loans totaling \$187.6 million.
- Increased mortgage loan activity by 19% in the urban loan programs and 34% in the rural loan programs.
- Purchased 1,228 streamlined refinance loans with average monthly savings for Alaskans of \$207 per month.
- Reduced documentation required and procedures for loan commitments and purchases.
- Completed the rewrite and consolidation of the Rural & Urban Selling and Servicing Guides.
- Purchased 76 multi-family loans totaling \$33.1 million.
- Maintained a 0% delinquency rate in the multi-family loan program.
- Conducted 199 HomeChoice workshops in 38 communities with 3,899 certificates issued an increase of 75% in participation.
- Conducted 31 classes for realtors with 339 participants in 15 communities.
- Conducted 31 classes for builders with 94 participants in 13 communities.
- Conducted 31 classes for lenders with 198 participants in 8 communities.
- Completed planning and development of the Annual Action Plan for the Housing & Community Development Plan (HCD) and the Annual Performance Report (APR), bringing \$7 million HUD funds to Alaska.



- Held one round of the homeless assistance program (\$450,000 awarded).
- Held one round each of the grant match program for the USDA Housing Preservation Grant Program, and the HUD Supportive Housing Program (\$550,000 awarded).
- Held two rounds of the GOAL program for low-income rental housing development (LIHTC, SCHDF and HOME funding) which has a homeownership development component and pre-development for senior housing (3.4 million in grants, \$21.7 million in federal tax credits).
- Held one round of the senior access accessibility modification program (\$400,000).
- Provided program management and compliance monitoring for 160 active grants totaling \$44 million.
- Held housing development workshops in Fairbanks, Bethel, Anchorage, Kenai and Sitka.
- Held three affordable housing investment forums in Fairbanks, Kenai and Anchorage.
- Sponsored a supportive housing training on how to fund supportive housing projects for the homeless.
- Weatherized 690 homes throughout the State.
- Additional accomplishments listed in the appendix of FY2003 missions & measures.

### Statutory and Regulatory Authority

AS 18.55	Housing, Public Building, Urban Renewal, and Regional Housing Authorities
AS 18.56	Alaska Housing Finance Corporation
15 AAC 118	Health and Safety
15 AAC 150	Alaska Housing Finance Corporation
15 AAC 151	AHFC General Programs
15 AAC 152	AHFC Rural Housing
15 AAC 153	AHFC Public Housing
15 AAC 154	Grant Programs
15 AAC 155	AHFC Energy Efficiency Programs
19 AAC 69	Energy Efficiency
19 AAC 80	Housing Assistance Loan Fund
19 AAC 82	Home Ownership Assistance Program
19 AAC 83	State-Assisted Rental Housing Construction Program
19 AAC 85	Senior Citizens Housing Development Fund
19 AAC 88	Supplemental Housing Development Grants
19 AAC 89	Senior Housing Revolving Fund

#### Code of Federal Regulations

10 CFR 420	State Energy Conservation Plans
10 CFR 440	Weatherization Assistance for Low-income Persons
24 CFR 41	Policy and Procedures for the enforcement of standards and requirements for accessibility...
24 CFR 42	Uniform Relocation Assistance & Real Property Acquisition for federal & federally assisted ...
24 CFR 91	State & Local Housing Affordability Strategies
24 CFR 92	HOME Investment Partnerships Program
24 CFR 219	Flexible Subsidy Program - Capital Improvement Loans
24 CFR 574	Housing Opportunities for Persons with AIDS
24 CFR 575	Emergency Shelter Grants
24 CFR 576	Emergency Shelter Grants: Steward B. McKinney Homeless Assistance Act
24 CFR 582	Shelter Plus Care Program
24 CFR 583	Supportive Housing Program
24 CFR 600	Comprehensive Planning Assistance
24 CFR 850	Housing Development Grants
24 CFR 880	Section 8 Housing Assistance Payment Program for new construction
24 CFR 882	Section 8 Housing Assistance Payment Program - existing housing
24 CFR 886	Section 8 Housing Assistance Payment Program - special allocations

24 CFR 887	Housing Voucher Program
24 CFR 889	Grant Programs - Housing & Community Dev., Low- and Moderate-income Housing...
24 CFR 901	Public Housing Management Assessment Program
24 CFR 941	Public Housing Development
24 CFR 961	Drug Abuse, Drug Traffic Control, Grants Programs - Housing & Community Dev...
24 CFR 963	Public Housing - Contracting with Resident-owned businesses
24 CFR 964	Tenant Participation & Management in Public Housing
24 CFR 965	PHA-owned or leased projects - Maintenance & Operation
24 CFR 968	Comprehensive Grants Program
24 CFR 970	Public Housing Program - demolition or disposition of public housing projects
24 CFR 990	Annual Contributions for Operating Subsidy
45 CFR Subtitle B	Family Self-Sufficiency Program

### Key Performance Measures for FY2003

#### Measure:

The administrative costs per dollar of investment.  
Sec 132(b)(1) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

FY01: 4.77% (Operating Expenses/Mortgage Purchases)  
FY00: 5.82% (Operating Expenses/Mortgage Purchases)  
FY99: 5.21% (Operating Expenses/Mortgage Purchases)  
FY98: 7.65% (Operating Expenses/Mortgage Purchases)

#### Benchmark Comparisons:

*AHFC is using the prior year's total "actual" operating expenses divided by the mortgages purchased for the fiscal year as its benchmark. The total "actual" expenses include corporate, federal and CIP receipts used in all AHFC programs.*

#### Measure:

The net income of the corporation.  
Sec 132(b)(2) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

FY2001 Net Income: \$96,353,000  
FY2000 Net Income: \$81,802,000  
FY1999 Net Income: \$79,850,000  
FY1998 Net Income: \$95,916,000

#### Benchmark Comparisons:

*AHFC is using the prior year's "net income" for the fiscal year as its benchmark. The total "net income" includes corporate, federal and CIP income generated by all AHFC programs.*

#### Measure:

The percentage of AHFC-owned housing compared to privately owned housing in the marketplace.  
Sec 132(b)(3) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

FY01 Market Share: 48.6%  
FY00 Market Share: 43.0%

FY99 Market Share: 33.0%  
FY98 Market Share: 30.0%

**Benchmark Comparisons:**

*AHFC is using the prior year's "market share" for the fiscal year as its benchmark. The "market share" is calculated by dividing AHFC's loan purchases by Alaska's total mortgage loans made within the fiscal year.*

**Measure:**

The public housing management assessment score.  
Sec 132(b)(4) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

FY2001 PHAS Score: Waiting Federal Action.  
FY2000 PHAS Score: 100% (fifth year in a row).  
FY1999 PHMAP Score: 100% (fourth year in a row).  
FY1998 PHMAP Score: 100% (third year in a row).  
FY1997 PHMAP Score: 100% (second year in a row).  
FY1996 PHMAP Score: 100%

**Benchmark Comparisons:**

*AHFC is using HUD's Public Housing Assessment System (PHAS) rating (with four indicators) as its benchmark. FY2000 is the first year of this new system. The PHAS rating system uses third party assessors with little input by the Public Housing Authorities, while the PHMAP system was calculated by the Public Housing Authorities and verified by the local HUD office.*

*PHAS indicators and point values are:*

- *Physical Condition*                      30.0    *Points Possible*
- *Financial Condition*                    30.0    *Points Possible*
- *Management Operations*              30.0    *Points Possible*
- *Resident Satisfaction*                10.0    *Points Possible*

*Prior to PHAS, the system was the Public Housing Management Assessment Program (PHMAP) (with eight indicators).*

## Alaska Housing Finance Corporation Operations

## Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	20,469.5	21,786.4	23,633.9
72000 Travel	594.1	1,040.5	926.7
73000 Contractual	9,539.5	11,230.8	10,729.5
74000 Supplies	1,652.7	2,580.9	2,680.4
75000 Equipment	411.8	234.6	259.6
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	1,836.5	630.0	830.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>34,504.1</b>	<b>37,503.2</b>	<b>39,060.1</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	17,351.2	20,218.6	21,012.6
1007 Inter-Agency Receipts	1,862.5	600.0	800.0
1061 Capital Improvement Project Receipts	1,375.6	1,501.1	1,613.4
1103 Alaska Housing Finance Corporation Receipts	13,914.8	15,183.5	15,634.1
<b>Funding Totals</b>	<b>34,504.1</b>	<b>37,503.2</b>	<b>39,060.1</b>

## Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b>Unrestricted Revenues</b>						
None.		0.0	0.0	0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>						
Federal Receipts	51010	17,351.2	20,218.6	20,218.6	21,012.6	21,500.0
Interagency Receipts	51015	1,862.5	600.0	600.0	800.0	1,000.0
Capital Improvement Project Receipts	51200	1,375.6	1,501.1	1,501.1	1,613.4	1,650.0
<b>Restricted Total</b>		<b>20,589.3</b>	<b>22,319.7</b>	<b>22,319.7</b>	<b>23,426.0</b>	<b>24,150.0</b>
<b>Total Estimated Revenues</b>		<b>20,589.3</b>	<b>22,319.7</b>	<b>22,319.7</b>	<b>23,426.0</b>	<b>24,150.0</b>

**Alaska Housing Finance Corporation Operations**  
**Proposed Changes in Levels of Service for FY2003**

- A. Add CIP funding to cover personal services costs.
- B. Add federal funding to administer 430 new Section 8 vouchers.
- C. Add inter-agency funding for Low-Income Home Energy Assistance Program (LIHEAP) Activities.
- D. Add Federal funding for temporary laborers and student hires.
- E. Transfer federal and Corporate funding for line-item transfers.

**Summary of Component Budget Changes**  
**From FY2002 Authorized to FY2003 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>20,218.6</b>	<b>17,284.6</b>	<b>37,503.2</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	0.0	528.2	525.5	1,053.7
<b>Proposed budget increases:</b>				
-Add Inter-Agency Funding for Low Income Home Energy Assistance Program (LIHEAP) Activities	0.0	0.0	200.0	200.0
-Add CIP funding to cover Personnel Costs	0.0	0.0	37.4	37.4
-Add Federal Funding to administer 430 new Section 8 Vouchers	0.0	215.8	0.0	215.8
-Add Federal Funding for Temporary Laborers and Student Hires	0.0	50.0	0.0	50.0
<b>FY2003 Governor</b>	<b>0.0</b>	<b>21,012.6</b>	<b>18,047.5</b>	<b>39,060.1</b>

## Alaska Housing Finance Corporation Operations

## Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2002 Authorized	FY2003 Governor		
Full-time	325	328	Annual Salaries	16,699,940
Part-time	20	35	COLA	641,943
Nonpermanent	9	14	Premium Pay	277,000
			Annual Benefits	7,110,797
			Less 4.43% Vacancy Factor	(1,095,780)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>354</b>	<b>377</b>	<b>Total Personal Services</b>	<b>23,633,900</b>

## Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant I	4	0	0	0	4
Accountant II	5	0	0	0	5
Accounting Assistant I	1	0	0	0	1
Accounting Assistant II	7	0	0	0	7
Accounting Assistant III	2	0	0	0	2
Admin Assistant I Trainee	1	0	0	0	1
Admin Assistant II/Courier	2	0	0	0	2
Admin Assistant II/Dispatch	1	0	0	0	1
Admin Assistant II/Reception	1	0	0	0	1
Admin Assistant III/Courier	1	0	0	0	1
Administrative Assistant I	5	0	0	0	5
Administrative Assistant II	1	0	0	0	1
Administrative Assistant III	10	0	0	0	10
Area Coordinator	1	1	1	0	3
Area Coordinator/Statewide	1	0	0	0	1
Asset Management Spec I	2	0	0	0	2
Asset Management Spec II	1	0	0	0	1
Asset Servicing Specialist I	1	0	0	0	1
Asset Servicing Specialist III	1	0	0	0	1
Audit Specialist I	1	0	0	0	1
Audit Specialist II	4	0	0	0	4
Budget Assistant II	1	0	0	0	1
Budget Specialist II	2	0	0	0	2
Chief Admin Officer	1	0	0	0	1
Clerical Support Supervisor	1	0	0	0	1
Communication Spclst II	1	0	0	0	1
Computer Operations Spclst	1	0	0	0	1
Construction Inspector	2	0	0	2	4
Contract Management Specialist	1	0	0	0	1
Controller	1	0	0	0	1
Coordinator, Admin Support	1	0	0	0	1
Coordinator, Construction	6	0	0	0	6
Coordinator, Maintenance	1	0	0	0	1
Coordinator, Program Support	1	0	0	0	1
Coordinator, Servicing	1	0	0	0	1
Custodian	5	1	1	1	8
Dep Executive Director	1	0	0	0	1
Director, Admin Services	1	0	0	0	1
Director, Budget	1	0	0	0	1

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Director, Construction	1	0	0	0	1
Director, Finance	1	0	0	0	1
Director, Housing Operations	1	0	0	0	1
Director, Internal Audit	1	0	0	0	1
Director, Mortgage Operations	1	0	0	0	1
Director, Personnel	1	0	0	0	1
Director, Planning/Prog Dev	1	0	0	0	1
Director, Public Housing	1	0	0	0	1
Director, Research/Rural D	1	0	0	0	1
Energy Prgm Grant Admin	1	0	0	0	1
Energy Specialist I	1	0	0	0	1
Energy Specialist II	3	0	0	0	3
Executive Assistant	1	0	0	0	1
Executive Director/CEO	1	0	0	0	1
Executive Secretary-Board	1	0	0	0	1
FIC Program Supervisor	2	0	0	0	2
Finance Analyst I	1	0	0	0	1
Finance Officer	1	0	0	0	1
Financial Analyst II	1	0	0	0	1
Financial Assistant II	1	0	0	0	1
Gateway Center Administrator	1	0	0	0	1
Grant Administrator	2	0	0	0	2
Grant Specialist	1	0	0	0	1
Grants Manager	1	0	0	0	1
Housing Admin Specialist I	2	0	0	0	2
Housing Assistant I	0	0	0	1	1
Housing Assistant II	3	1	0	0	4
Housing Assistant III	2	0	1	0	3
Housing Managemnt Spec	1	0	0	0	1
Housing Managemnt Spec I	2	0	0	0	2
Housing Program Admin Sup	1	0	0	0	1
Housing Program Spclst I	0	2	0	2	4
Housing Program Spclst II	18	3	3	8	32
Housing Program Spclst III	0	0	0	6	6
Housing Program Spclst III/FSS	0	0	1	0	1
Housing Program Spclst IV	0	1	0	5	6
Information Sys Trainer	1	0	0	0	1
IS PC Programmer	1	0	0	0	1
IS Web Programmer Analyst	1	0	0	0	1
Laborer	19	5	4	15	43
Lead Mechanic	4	1	1	1	7
Lead Mechanic/Prev Maint	1	0	0	0	1
Legislative Liaison	1	0	0	0	1
Loan Underwriter I	2	0	0	0	2
Loan Underwriter II	2	0	0	0	2
Loan Underwriter Supervisor	1	0	0	0	1
Maintenance Mechanic	12	3	3	11	29
Management Specialist I	4	0	0	0	4
Management Specialist II	1	0	0	0	1
Management Specialist III	1	0	0	0	1
Manager, Accting Operations	1	0	0	0	1
Manager, Admin Services	1	0	0	0	1
Manager, Asset Management	1	0	0	0	1
Manager, Budget	1	0	0	0	1
Manager, Construction	2	0	0	0	2
Manager, Contract Management	1	0	0	0	1
Manager, Financial Acct	2	0	0	0	2

Component — Alaska Housing Finance Corporation Operations

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Manager, Network Support	1	0	0	0	1
Manager, Payroll	1	0	0	0	1
Manager, Procurement	1	0	0	0	1
Manager, Prog & Policy Dev	1	0	0	0	1
Manager, Risk Management	1	0	0	0	1
Manager, Servicing	1	0	0	0	1
Manager, System Operations	1	0	0	0	1
Microsystems Specialist I	1	0	0	0	1
Microsystems Specialist II	2	0	0	0	2
Mortgage Admin Assistant II	2	0	0	0	2
Mortgage Admin Specialist	1	0	0	0	1
Mortgage Admin Supervisor	1	0	0	0	1
Mortgage Admin Technician	1	0	0	0	1
Mortgage Assistant II	1	0	0	0	1
Mortgage Field Coordinator	1	0	0	0	1
Mortgage Outreach Spec II	2	0	0	0	2
Mortgage Project Specialist	3	0	0	0	3
Mortgage Specialist	1	0	0	0	1
Multi-Family Dev Specialist	1	0	0	0	1
Multi-Family Underwriting Sup	1	0	0	0	1
Network Analyst II	1	0	0	0	1
Officer, Audit	1	0	0	0	1
Officer, Corp Communicatns	1	0	0	0	1
Officer, Financial Reporting	1	0	0	0	1
Officer, Housing Relation	1	0	0	0	1
Officer, Information System	1	0	0	0	1
Officer, Procurement	1	0	0	0	1
Officer, Research & Rural Dev	1	0	0	0	1
Officer, Rural Loans	1	0	0	0	1
Officer, Servicing	1	0	0	0	1
Personnel Assistant	1	0	0	0	1
Personnel Spec/Labor Rel Rep	1	0	0	0	1
Personnel Specialist	1	0	0	0	1
Planner I	4	0	0	0	4
Planner II	1	0	0	0	1
Procurement Specialist II	1	0	0	0	1
Procurement Specialist III	4	0	0	0	4
Program Administrator-Res Svcs	2	0	0	0	2
Projects Coordinator	1	0	0	0	1
Property Compliance Specialist	1	0	0	0	1
Risk Management Spec I	1	0	0	0	1
Risk Management Spec II	2	0	0	0	2
Rural Development Spec	0	1	0	0	1
Rural Mortgage Outreach Spec	1	0	0	0	1
Rural Outreach Specialist	1	0	0	0	1
Senior Finance Officer	1	0	0	0	1
Senior System Administrator	1	0	0	0	1
Senior System Analyst	4	0	0	0	4
Servicing Specialist II	2	0	0	0	2
Servicing Specialist III	4	0	0	0	4
Special Assistant	1	0	0	0	1
Special Asst/Communications	1	0	0	0	1
Special Asst/Research & Rural	1	0	0	0	1
Special Property Manager	0	0	0	1	1
Student Hire	7	2	3	2	14
Supplemental Hsg Coordinator	1	0	0	0	1
System Administrator	1	0	0	0	1



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Component — Alaska Housing Finance Corporation Operations

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<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
System Operator II	1	0	0	0	1
System Programmer Analyst	2	0	0	0	2
<b>Totals</b>	<b>283</b>	<b>21</b>	<b>18</b>	<b>55</b>	<b>377</b>

## **BRU/Component: Anchorage State Office Building**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

**Contact: Les Campbell, Budget Director**

**Tel:** (907) 330-8356 **Fax:** (907) 330-8361 **E-mail:** lcampbel@ahfc.state.ak.us

### **Component Mission**

The mission of the Alaska Housing Finance Corporation is to provide funds to manage and operate the Anchorage State Office Building.

### **Component Services Provided**

This component is established under AHFC to utilize a portion of the income and revenues from the building towards the annual operational costs of the Anchorage State Office Building. Funds approved will be transferred (RSA'd) to the Department of Administration as part of their budget request for Division of General Services.

### **Component Goals and Strategies**

CSSB 178 (FIN) am H (Ch51, SLA 1997) authorized the Alaska Housing Finance Corporation (AHFC) to purchase the Bank of America building in Anchorage for lease by state agencies. The purchase was made by AHFC on July 15, 1997, and a lease with the Division of General Services (DGS), Department of Administration was signed at the same time. Per the lease agreement, AHFC as the owner of the building is entitled to private tenant rents collected from existing leases in the building at the time of purchase. The DGS is to administer the building and oversee its day to day operations and maintenance.

### **Key Component Issues for FY2002 – 2003**

During the years with non-state tenants, income from non-state tenants will be used to fund the cost of building operations. In later years all building operating costs will be borne by state tenants.

### **Major Component Accomplishments in 2001**

Administered by the Department of Administration (DGS).

### **Statutory and Regulatory Authority**

AS 18.55.100(d)  
Ch.51,SLA1997

**Anchorage State Office Building****Component Financial Summary***All dollars in thousands*

	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	1,506.1	1,984.7	1,228.1
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>1,506.1</b>	<b>1,984.7</b>	<b>1,228.1</b>
<b>Funding Sources:</b>			
1103 Alaska Housing Finance Corporation Receipts	1,506.1	1,984.7	1,228.1
<b>Funding Totals</b>	<b>1,506.1</b>	<b>1,984.7</b>	<b>1,228.1</b>

**Anchorage State Office Building****Proposed Changes in Levels of Service for FY2003**

None

**Summary of Component Budget Changes****From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>1,984.7</b>	<b>1,984.7</b>
<b>Proposed budget decreases:</b>				
-Declining lease costs for private space in Atwood Building	0.0	0.0	-756.6	-756.6
<b>FY2003 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>1,228.1</b>	<b>1,228.1</b>

## **BRU/Component: Alaska Mental Health Trust Authority**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

### **Contact: Jeff Jessee, Executive Director**

**Tel:** (907) 269-7960 **Fax:** (907) 269-7966 **E-mail:** Jeff\_Jessee@mhta.revenue.state.ak.us

### **Component Mission**

The mission of the Alaska Mental Health Trust Authority is to ensure access to comprehensive and integrated mental health programs.

### **Component Services Provided**

Administer the Mental Health Trust in carrying out its trust obligations.

- Enhance and protect the land assets of the trust;
- Enhance and protect the cash assets of the trust;
- Provide leadership in advocacy, planning, implementing and funding of a comprehensive integrated mental health program; and
- Spend trust income to improve the lives and circumstances of trust beneficiaries.

### **Component Goals and Strategies**

- Maximize revenues from trust land assets;
- Maximize revenues from trust cash asset;
- Ensure leadership in advocacy, planning, implementing, funding and evaluating of the comprehensive integrated mental health program;
- Use trust income to maintain efficient and fully accountable operations for programs and projects that improve the lives and circumstances of the trust beneficiaries;
- Develop a partnering initiative to leverage funds from private corporations and foundations for mental health programs.

### **Key Component Issues for FY2002 – 2003**

- In light of the stock market changes and volatility, maintain a principal reserve account balance sufficient to protect the disbursement rate over time so as to allow the comprehensive integrated mental health program budget to remain funded at a constant level.
- Replacing and reducing the size of the state psychiatric hospital, while simultaneously increasing the southcentral Alaska community-based services to compensate for this downsizing.
- To coordinate and collaborate with the various state agencies, providers and advocacy groups to meet the program needs of the trust beneficiaries.
- To support the innovative programs and projects in the areas of housing, transportation, employment, and service needs for trust beneficiaries, while maintaining the current funding level for mental health programs and projects to avoid a serious gap in services.
- To provide support to the various task forces on insurance parity, assisted living rate, suicide prevention council, employment, community-based services, homeless, and transportation issues so as to allow the current state administered programs to continue until a solution or mandate can be met.
- The lack of knowledge about the Alaska Mental Health Trust has focused our attention on educating the beneficiaries, their families, policymakers and the public about the trust's responsibilities and activities.
- Develop a partnering initiative to leverage funds from private corporations and foundations for mental health programs.

### **Major Component Accomplishments in 2001**

- We have used trust land and income for a plan to downsize and build the new state psychiatric hospital while

improving the southcentral community-based services to absorb the downsized patient beds.

- We have used trust income to leverage other funds and to make a coordinated effort at establishing or improving beneficiary housing, transportation services, quality assurance, community telepsychiatry, and employment initiatives. Trust dollars also leveraged funds for direct service provider training, the women's and men's substance abuse treatment, jail alternative services, medicaid services, rural emergency services, fetal alcohol effects and syndrome, the children's care coordination services, and a mental health consumer affairs program.

### Statutory and Regulatory Authority

AS 37.14

AS 47.30

### Key Performance Measures for FY2003

#### Measure:

The amount of revenue from land and cash.

Sec 139 (b) (1) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

	FY1996	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003
Land Revenue	1,048.0	1,412.3	2,884.0	3,397.6	3,438.9	7,651.0	4,900.0	5,900.0
Cash Revenue	24,216.8	37,656.1	41,869.5	24,606.2	27,645.1	(10,491.3)	10,226.0	23,815.0

- In FY2003, the trust projects \$15,595.6 available for funding the mental health programs: \$11,190.0 in trust investment income (APFC), \$2,200.0 in trust land income, \$600.0 interest on the Department of Revenue income accounts, \$558.2 unobligated MHTAAR from FY2002, and \$1,047.4 from lapsed MHTAAR from FY2001.

#### Measure:

The percentage of trust income disbursed for mental health programs.

Sec 139 (b) (2) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

- In FY02, the trust cash investment at the Alaska Permanent Fund Corporation had an overall market loss of 3.3% which decreased the disbursement of trust income by 6.5% over the prior fiscal year for mental health programs.
- In FY02, the Trust disbursed \$16,627.1 of trust income: 60% for mental health operating, 18% mental health capital, 11% trust land operating and capital, 6% for trust authority administration and 5% for small grants and contracts.
- In FY01, the trust disbursed \$17,775.3 of trust income: 59% for mental health operating, 24% mental health capital, 10% trust land operating and capital, 5% for trust authority administration and 2% for small grants and contracts.
- In FY2001, the trust increased the disbursement of trust income by 53% over the prior fiscal year for mental health programs.

#### Measure:

The number of partners and the amount of money from mental health trust programs received from funding partners.

Sec 139 (b) (3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- In FY02, the trust partnered with 14 different funders, federal agencies and private foundations committed \$14 million and the trust will use \$497,000 in trust income.
- In FY00, the trust partnered with 7 different funders, federal SAMHSA, Federal Transit Authority, AHFC, Fairbanks Borough and City, Petersburg, and Alaska Tribal Health Consortium.

	MHTAAR	Partnering funds
Operating Projects:	\$469.0 MHTAAR	\$1,141.2 PARTNERING
Capital Projects:	\$2,500.0 MHTAAR	\$7,550.0 PARTNERING
TOTAL:	\$2,969.0 MHTAAR	\$8,691.2 PARTNERING

\$2.93 match for each \$1.00 MHTAAR

## Alaska Mental Health Trust Authority

### Component Financial Summary

*All dollars in thousands*

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	438.4	536.4	874.3
72000 Travel	99.0	122.7	112.7
73000 Contractual	403.8	356.4	521.6
74000 Supplies	34.4	15.9	14.5
75000 Equipment	47.9	8.9	8.9
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>1,023.5</b>	<b>1,040.3</b>	<b>1,532.0</b>
<b>Funding Sources:</b>			
1007 Inter-Agency Receipts	83.6	0.0	354.0
1094 Mental Health Trust Administration	939.9	1,040.3	1,178.0
<b>Funding Totals</b>	<b>1,023.5</b>	<b>1,040.3</b>	<b>1,532.0</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b>Unrestricted Revenues</b>						
None.		0.0	0.0	0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>						
Interagency Receipts	51015	83.6	0.0	358.9	354.0	354.0
<b>Restricted Total</b>		<b>83.6</b>	<b>0.0</b>	<b>358.9</b>	<b>354.0</b>	<b>354.0</b>
<b>Total Estimated Revenues</b>		<b>83.6</b>	<b>0.0</b>	<b>358.9</b>	<b>354.0</b>	<b>354.0</b>



## Alaska Mental Health Trust Authority

## Proposed Changes in Levels of Service for FY2003

No anticipated service changes

## Summary of Component Budget Changes

## From FY2002 Authorized to FY2003 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>1,040.3</b>	<b>1,040.3</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	19.0	19.0
<b>Proposed budget increases:</b>				
-FY2003 State Facilities Rent increase	0.0	0.0	1.4	1.4
-Inter-agency funding for Long Term Care Ombudsman operational costs	0.0	0.0	354.0	354.0
-Graduate Intern position, full funding of Deputy Director position	0.0	0.0	117.3	117.3
<b>FY2003 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>1,532.0</b>	<b>1,532.0</b>

## Alaska Mental Health Trust Authority

## Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2002 Authorized	FY2003 Governor		
Full-time	8	11	Annual Salaries	626,962
Part-time	0	0	COLA	20,572
Nonpermanent	2	3	Premium Pay	0
			Annual Benefits	206,216
			Less 0.01% Vacancy Factor	(96)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>10</b>	<b>14</b>	<b>Total Personal Services</b>	<b>853,654</b>

## Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Supervisor	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Deputy Director	1	0	0	0	1
Executive Director	1	0	0	0	1
Graduate Intern I	2	0	0	0	2
Long-Term Care Ombudsman	1	0	0	0	1
Paralegal Asst II	1	0	0	0	1
Program Service Aide	1	0	0	0	1
Trust Clerk I	1	0	0	0	1
Trust Clerk II	1	0	0	0	1
Trust Finance Officer	1	0	0	0	1
Trust Program Manager	2	0	0	0	2
<b>Totals</b>	<b>14</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14</b>

## **Revenue Operations Budget Request Unit**

**Contact: Neil Slotnick, Deputy Commissioner**

**Tel:** (907) 465-3669 **Fax:** (907) 465-2389 **E-mail:** neil\_slotnick@revenue.state.ak.us

### **BRU Mission**

To administer the state's tax and charitable gaming laws to collect revenue efficiently and to treat taxpayers, permittees and licensees equitably; to equitably, efficiently and expeditiously administer and collect oil and gas production and property taxes and royalties and to assist policy makers with oil and gas issues; to prudently manage the state's financial assets; and to prudently manage and invest state pension funds.

### **BRU Services Provided**

#### **TAX DIVISION**

- Administer 19 tax types including four special oil and gas taxes, six fisheries taxes and nine excise, income and other tax types, providing over half of non-federal General Fund revenues, including development and processing of tax returns, collection of and accounting for revenues, compliance and taxpayer service.
- Administer three non-tax programs: charitable gaming, royalty auditing and salmon price reporting.

#### **TREASURY**

- Manage the investments of state funds under the fiduciary responsibility of the commissioner of Revenue, or as requested by other fiduciaries: General Fund, International Airport Bond Funds, Constitutional Budget Reserve Fund, Student Loan Bond Funds, Children's Trust, Advanced College Education Tuition Fund, Public School Trust Fund, Retiree Health Insurance Fund and University of Alaska Trust Fund.
- Provide consultative cash management services to all state agencies.
- Provide consultative capital financing services to state agencies.
- Provide staff to the Alaska State Pension Investment Board, State Bond Committee and Alaska Municipal Bond Bank Authority.

#### **ALASKA STATE PENSION INVESTMENT BOARD**

- Invest the funds of the state defined benefit pension plans: Public Employees Retirement System Trust, Teachers Retirement System Trust, Judicial Retirement System Trust, Naval Militia Retirement System Trust.
- Recommend appropriate investment options for the Supplemental Benefits Annuity Plan and the Deferred Compensation Plan to the plan fiduciary, the Commissioner of Administration.

### **BRU Goals and Strategies**

#### **TAX DIVISION**

- Streamline and simplify the fisheries business tax licensing and filing process to reduce the administrative burden on taxpayers and foster tax compliance.
- Design and implement software to eliminate unnecessary examination effort currently being performed on 70% of corporate returns filed.
- Create a cost effective-based electronic filing and licensing application development process.
- Redesign forms and software to obtain and process shared revenue data more efficiently.
- Increase use of computerized filing of reports and other required information with an emphasis on oil and gas taxes where most taxpayers are fairly sophisticated.
- Emphasize up-front compliance and consultation with the taxpayers rather than after the fact audits to arrive at correct amount for production tax.

- Increase the scope of communication and consultation between municipal and industry stakeholders in the administration of oil and gas property taxes.
- Continue the process of overhauling the Revenue Sources book to increase its usefulness and information content.
- Stay on track for resolving oil and gas production tax matters timely.
- Continue trying to set up a mechanism for an annual projection of revising any regulation where ambiguity has led to a compromised assessment.

## TREASURY

1. Maximize the investment rate of return on investment portfolios consistent with statutes and fiduciary standards without incurring undue risks.
  - Manage the funds in accordance with the stated asset allocation objectives and constraints.
  - Meet or exceed established investment benchmarks/targets over the appropriate time horizon.
  - Minimize uninvested cash through the automation of the collection and deposit of state receipts.
2. Assist state agencies with their conversion to electronic remittances of revenues and related information.
  - Automate collection of retirement contributions, unemployment insurance and workers compensation payments, oil and gas and court systems payments via Automated Clearing House (ACH).
  - Work with agencies to clear treasury receipts within 15 days to reduce CBRF borrowing for cash flow.
3. Issue and manage state debt at minimum costs to the state.
  - Issue debt for capital financing and pursue refinancing opportunities to reduce interest costs when feasible.
  - Maintain the state's bond rating.

## ALASKA STATE PENSION INVESTMENT BOARD

1. Maximize the investment rate of return on funds managed consistent with fiduciary standards.
  - Manage the trusts in accordance with the stated asset allocation objectives and constraints.
  - Meet or exceed established investment benchmarks/targets over the appropriate time horizons.

## Key BRU Issues for FY2002 – 2003

### TAX DIVISION

Key legislation passed in 2001 included:

- HB 154 (Ch 42 SLA 2001), Fisheries Business Tax/Fishery Resource Landing Tax. This bill modified the tax payment security requirements necessary to obtain a state fisheries business tax license.
- HB 228 (Ch 88 SLA 2001), Sale of Tobacco Products. Relevant sections in this bill gave the division new tools to enforce the nationwide Master Settlement Agreement signed by the major cigarette producers and states.
- SB 151 (Ch 78 SLA 2001), Bristol Bay Salmon Classic. The state's charitable gaming laws allow certain organizations to conduct "salmon classic" games of chance. This legislation adds the Bristol Bay Native Corporation Education Foundation to the list, allowing the education foundation to conduct a fund-raising salmon classic.
- SB 158 (Ch 38 SLA 2001), Study of State Participation in Gas Line Ownership. This legislation directs the department to prepare a detailed report on the merits of the state ownership and/or financial stake in North Slope natural gas commercialization project.

Key Issues for 2002- 2003:

- Creating and maintaining effective information technology programs, which will require retaining and attracting high quality personnel.
- Keep current with analysis and research pertinent to developments with a proposed Alaska natural gas project.
- Auditing oil and gas related taxes for 2000, which include major transition and adjustments for all out major taxpayers.
- Bringing in a new state petroleum properties assessor and administering the property tax laws (AS 43.56) when

tensions between municipalities and taxpayers seem to be on the increase.

## TREASURY

- Key issues for cash management relate to Alaska's geographical dispersion of population and the difficulty of access to communities, which, because it makes traditional paper-based transactions problematic, puts a premium on technologies that do not rely on traditional forms of transportation. Accordingly, treasury is involved in the development of cutting-edge technology for cash management, which requires effort and time to reach the desired goal.
- Primary key issues for portfolio management include dealing with the financial and economic turmoil caused by the terrorist attacks of September 11, as well as managing investment risk in the current low interest rate environment. A key issue for the state comptroller will be implementation of a holder compliance program for unclaimed property.

## ALASKA STATE PENSION INVESTMENT BOARD

- Key issues for the board include dealing with the financial and economic turmoil caused by the terrorists attacks of September 11. The board also is committed to continuing to improve the investment program for participants in the Supplemental Benefits System and Deferred Compensation Plans.

## Major BRU Accomplishments in 2001

### TAX DIVISION

- During FY 2001 the division implemented new regulations and enhancements to the tax database for motor fuel tax, resulting in fewer staff hours necessary to record taxpayer data.
- The new Alaska Salmon Price Report requirements were implemented in FY 2001 by the creation of a database and reporting system to meet the requirements of HB 363.
- FY 2001 also brought about the division computerized time reporting system, allowing for more accurate reporting of staff hours charged to tax programs.
- Continued to improve use of Information technology in tax programs. We designed and implemented a new data entry and return examination application for motor fuel tax. This will be expanded to corporate income tax.
- Stayed on schedule for closing out oil and gas production tax (AS 43.55) matters, closing all matters through 1996 and all audits through 1997 (two matters left in appeals)
- Participated in TAPS hearing before the State Assessment Review Board and essentially held a middle ground valuation that was \$1 billion higher than requested by taxpayers and \$3 billion lower than requested by municipalities
- Put out an effective and informative Revenue Sources book that explored fiscal options and their economic impacts
- Completed substantial work on new regulations package concerning allowable transportation deductions under the state's oil and gas production tax laws.

### TREASURY DIVISION

- ◆ The following funds exceeded their benchmarks in 2001: the General Fund, Alaska Children's Trust, CBRF, Exxon Valdez Oil Spill Trust Fund, Retiree Health Insurance Long-term Care and Major Medical Funds, Public School Trust, and International Airports Revenue and Construction Funds.
- Implemented a securities lending program that should return \$1.5 million per year to the various funds Treasury manages.
- Issued ACH origination contract to allow for both disbursements and collection of funds electronically.
- Added several new locations to existing credit card contract.
- Implemented a master lease program to allow tax-exempt financing of smaller purchases that were previously financed at taxable rates or purchased.

- Facilitated a \$9 million lease purchase transaction for DOT statewide equipment fleet.
- Issued \$2.33 million in bond anticipation notes for the Clean Water and Drinking Water Funds.

#### ALASKA STATE PENSION INVESTMENT BOARD

- In 2001 the Public Employees and Teachers Retirement Systems both exceeded their benchmark returns.
- The board implemented a securities lending program.
- The board added several new options to the Deferred Compensation and the Supplemental Benefits System Plans to improve participants' investment choices.
- The board terminated several investment managers and reallocated those investments to improve returns going forward. Reallocating to existing managers also resulted in a reduction of over \$2 million in annual management fees.

### Key Performance Measures for FY2003

#### Measure:

ASPIB: Investment returns expressed in terms of most recent five-year and one-year averages measured against performance benchmarks.

Sec 134 (b) (1) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

Fund // FY2000 five-year actual return // FY2000 five-year benchmark return

The following returns are for the five-year period ending June 30, 2000:

- Public Employees Retirement Trust Fund // 13.43% // 13.23%
- Teachers Retirement Trust Fund // 13.61% // 13.23%
- Military Retirement Trust Fund // 10.30% // 11.17%

The following returns are for the three-year period ended June 30, 2000:

- Judicial Retirement Trust Fund // 10.51% // 11.32%

#### Benchmark Comparisons:

The benchmark return for each fund depends upon its asset allocation -- the mix of different asset classes that Treasury has invested it in. Each fund's individual benchmark return (as reported above) is calculated by weighting the percent of any asset class it holds by the appropriate asset class benchmark below:

- Domestic Equity - Russell 2000 Stock Index or the S&P 500 Stock Index
- International Equity - Morgan Stanley Capital International Europe, Australia and Far East Stock Index (EAFE)
- Domestic Fixed Income - Lehman Brothers Aggregate Bond Index
- International Fixed Income - Non-US Government Bond Index

#### Measure:

ASPIB: Administrative costs per dollar of investment.

Sec 134 (b) (2) Ch 90 SLA 2001(HB 250)

#### Alaska's Target & Progress:

- The Treasury Division participated in a national Defined Benefit Pension Fund Survey regarding calendar year 2000 costs (performed by Cost Effectiveness Measurement Inc.). The universe included 250 plans from Canada and the United States, representing both public and private funds. Total United States assets represented in the survey were \$1,868 billion.

- Relevant findings of this survey include: ASPIB's 2000 total operating costs were 32 basis points compared to the US average cost of 35 basis points. The benchmark cost (which can be thought of, generally, as the average cost for a fund of ASPIB's size and asset mix) was 28 basis points.

#### **Benchmark Comparisons:**

- These results above compare to benchmarks established by Cost Effectiveness Measurement Inc. ASPIB will continue to participate in this annual survey while looking for others to participate in as well. Year-to-year trends will also be evaluated as we would expect our per dollar of investment cost to decrease as the asset size grows.

#### **Background and Strategies:**

- The results of this survey need to be interpreted cautiously. Comparing our costs to the overall average may be misleading because costs per dollar of investment is first and foremost a function of the size of the assets and this survey had approximately one-third of the participants with plan sizes under \$2 billion and the remaining two-thirds of the participants with plan sizes over \$2 billion.
- With a benchmark cost of 28 basis points compared to an actual cost of 32 basis points, we would be considered a low-cost provider (as opposed to a high or normal cost provider). While this calculation compares like-sized funds, it does not account for differences that are caused by asset allocation and passive versus active management decisions.

#### **Measure:**

Treasury Division: Investment returns against performance benchmarks.  
Sec 133 (b) (1) Ch 90 SLA 2001(HB 250)

#### **Alaska's Target & Progress:**

Annual returns for the most recent fiscal year are provided below.

Fund // FY 2001 five-year actual return // FY2001 five-year benchmark return

- General Fund and Other Non-Segregated Investments (GeFONSI) // 6.34% // 6.25%
- CBRF (main account) // 7.35% // 6.50%
- Alaska Children's Trust // 11.26% // 10.54%
- Public School Trust Fund // 11.85% // 10.54%
- International Airports Revenue Fund // 6.45% // 6.09%

Fund // FY 2001 one-year actual return // FY2001 one-year benchmark return

- International Airports Construction Funds // 9.20% // 8.81%
- CBRF (subaccount) // (6.01%) // (5.57%)
- RHIF/Long-term Care Fund // (5.60%) // (7.25%)

Fund // FY 2001 three-year actual return // FY2001 three-year benchmark return

- RHIF/Major Medical Fund // 6.11% // 5.80%

#### **Benchmark Comparisons:**

The benchmark return for each fund depends upon its asset allocation -- the mix of different asset classes that Treasury has invested it in. Each fund's individual benchmark return (as reported above) is calculated by weighting the percent of any asset class they hold by the appropriate asset class benchmark below.

- For the Short-Term Fixed-Income Investment Pool – three-month US Treasury Bill
- For the Intermediate-Term Fixed-Income Investment Pool - Merrill Lynch 1- to 5-year Government Index
- For the Long-Term Fixed-Income Pool - Lehman Brothers Aggregate Index
- For the Domestic Equity Common Trust - Russell 3000 Index
- For the International Equity Common Trust - Morgan Stanley Capital International Europe, Australia and Far

East Index (EAFE)

**Measure:**

Treasury Division: Administrative costs per dollar of investment.  
Sec 133 (b) (2) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- The Treasury Division participated in a national Defined Benefit Pension Fund Survey regarding calendar year 2000 costs (performed by Cost Effectiveness Measurement Inc.). The universe included 250 plans from Canada and the United States, representing both public and private funds. Total United States assets represented in the survey were \$1,868 billion.
- Relevant findings of this survey include: SPIB's 2000 total operating costs were 32 basis points compared to the US average cost of 35 basis points. The benchmark cost (which can be thought of, generally, as the average cost for a fund of SPIB's size and asset mix) was 28 basis points.

**Benchmark Comparisons:**

- These results above compare to benchmarks established by Cost Effectiveness Measurement Inc. SPIB will continue to participate in this annual survey while looking for others to participate in as well. Year-to-year trends will also be evaluated as we would expect our per dollar of investment cost to decrease as the asset size grows.

**Background and Strategies:**

- The results of this survey need to be interpreted cautiously. Comparing our costs to the overall average may be misleading because costs per dollar of investment is first and foremost a function of the size of the assets and this survey had approximately one-third of the participants with plan sizes under \$2 billion and the remaining two-thirds of the participants with plan sizes over \$2 billion.
- With a benchmark cost of 28 basis points compared to an actual cost of 32 basis points, we would be considered a low cost provider (as opposed to a high or normal cost provider). While this calculation compares like-sized funds, it does not account for differences that are caused by asset allocation and passive versus active management decisions.

**Measure:**

Tax Division: The division budget as compared to the total amount collected by the division.  
Sec 135 (b) (1) Ch 90 SLA 2001(HB 250)

**Benchmark Comparisons:**

All dollar figures in millions

- |   |                   |
|---|-------------------|
| • Division budget:                          | \$6.7 million     |
| • Division collections:                     | \$1,344.4 million |
| • Cost of collections vs. total collections | 0.5%              |

This compares very well with a "benchmark rule of thumb" of tax collection costing 1% of collected revenues.

**Measure:**

Tax Division: The percentage of taxes collected as compared to the percentage of taxes due.  
Sec 135 (b) (2) Ch 90 SLA 2001(HB 250)



**Benchmark Comparisons:**

All dollar figures in millions

- Division collections: \$1,344.4
- Division assessments: \$1,355.6
- Comparison: 99.2%

**Measure:**

Tax Division: The time expended compared to the time budgeted and the average time taken to complete audits.  
Sec 135 (b) (3) Ch 90 SLA 2001(HB 250)

**Benchmark Comparisons:**

- Actual audit hours 17,432
- Estimated/budgeted audit hours 19,335
- Comparison: 90.2%

**Measure:**

Tax Division: The amount of assessments disallowed on appeal as compared to the amount of assessments claimed.  
Sec 135 (b) (4) Ch 90 SLA 2001(HB 250)

**Benchmark Comparisons:**

All dollar figures in millions

- Appealed tax and penalty assessments claimed \$27.20
- Disallowed tax and penalties: (\$2.50)

Note: This is negative because the State Assessment Review Board INCREASED the amount of tax in their ruling on an appealed case.

**Revenue Operations**  
**BRU Financial Summary by Component**

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b>Formula Expenditures</b> None.												
<b>Non-Formula Expenditures</b>												
Treasury Management	1,340.2	0.0	1,933.9	3,274.1	1,442.7	0.0	2,020.9	3,463.6	1,346.5	0.0	2,220.0	3,566.5
AK State Pension	0.0	0.0	2,864.0	2,864.0	0.0	0.0	3,195.5	3,195.5	0.0	0.0	3,374.2	3,374.2
Investment Bd												
ASPIB Custody and Mgt Fee	0.0	0.0	27,137.8	27,137.8	0.0	0.0	33,713.6	33,713.6	0.0	0.0	0.0	0.0
Tax Division	6,216.6	0.0	452.7	6,669.3	6,405.1	0.0	565.1	6,970.2	6,365.9	0.0	375.0	6,740.9
Language Section	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	125.0	0.0	0.0	125.0
<b>Totals</b>	<b>7,556.8</b>	<b>0.0</b>	<b>32,388.4</b>	<b>39,945.2</b>	<b>7,847.8</b>	<b>0.0</b>	<b>39,495.1</b>	<b>47,342.9</b>	<b>7,837.4</b>	<b>0.0</b>	<b>5,969.2</b>	<b>13,806.6</b>

## Revenue Operations

### Proposed Changes in Levels of Service for FY2003

#### TREASURY DIVISION

The division is requesting two increments for Fiscal 2003:

- \$27,500 to increase a half-time unclaimed property worker to full-time to increase the recovery of assets belonging to Alaskans and, subsequently, to increase deposits to the General Fund. This would include increased work with banks and other financial institutions to ensure property is turned in to Alaska and not other states.
- \$200,000 (\$150,000 ASPIB and other funds and \$50,000 General Funds) to fund personal services. This would cover the raises approved for investment officers and other personnel. In past years, Treasury has taken from other budget categories to cover personal services in past years but can no longer absorb the cost. The state must remain competitive with its salaries if it is to attract and retain quality investment personnel to manage the public's multi-billion-dollar portfolio. The Treasury Division determined a fair and reasonable salary level for its investment officers after surveying other operations in Alaska and consulting national averages.

## Revenue Operations

### Summary of BRU Budget Changes by Component

#### From FY2002 Authorized to FY2003 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>7,847.8</b>	<b>0.0</b>	<b>39,495.1</b>	<b>47,342.9</b>
<b>Adjustments which will continue current level of service:</b>				
-Treasury Management	-173.7	0.0	49.1	-124.6
-Tax Division	-42.0	0.0	-190.1	-232.1
-Language Section	125.0	0.0	0.0	125.0
<b>Proposed budget increases:</b>				
-Treasury Management	77.5	0.0	150.0	227.5
-AK State Pension Investment Bd	0.0	0.0	178.7	178.7
-Tax Division	2.8	0.0	0.0	2.8
<b>FY2003 Governor</b>	<b>7,837.4</b>	<b>0.0</b>	<b>5,969.2</b>	<b>13,806.6</b>

## **Component: Treasury Management**

### **Contact: Betty Martin, Comptroller**

**Tel:** (907) 465-2352 **Fax:** (907) 465-2394 **E-mail:** Betty\_Martin@revenue.state.ak.us

## **Component Mission**

The mission of the Treasury Division is to manage the state's funds consistent with prudent investment guidelines and Governmental Accounting Standards Board (GASB) rules.

## **Component Services Provided**

1. Manage the investments of state funds under the fiduciary responsibility of the commissioner of Revenue, or as requested by other fiduciaries:

- General Fund
- International Airports Bond Funds
- International Airports Construction Funds
- Constitutional Budget Reserve Fund
- Student Loan Bond Funds
- Alaska Children's Trust
- Exxon Valdez Oil Spill Trust Fund
- Power Cost Equalization Endowment Fund
- Public School Trust Fund
- Retiree Health Insurance Fund
- University of Alaska Trust Fund

2. Provide cash management and investment advice and services to all state agencies.

3. Provided capital financing advice and services to state agencies upon request.

4. Provide staff to the Alaska State Pension Investment Board, the State Bond Committee and the Alaska Municipal Bond Bank Authority.

## **Component Goals and Strategies**

1. Maximize the rate of return on investment portfolios consistent with statutes and fiduciary standards without incurring undue risks.

- Manage the funds in accordance with the stated asset allocation objectives and constraints.
- Meet or exceed established investment benchmarks over the appropriate time horizon.
- Minimize uninvested cash through the automation of the collection and deposit of state receipts.
- Increase use of technology to make processes more efficient.

2. Accurately and efficiently monitor, collect, and disburse cash receipts.

- Develop an automated payment mechanism to assist state agencies in receiving remittances and related payment information.
- Assist state agencies with their conversion to electronic remittances of revenues and related information.
- Advise state agencies in reviewing their existing cash management procedures and improving cash handling processes.

3. Issue and manage state debt at minimum costs to the state.

- Issue debt for capital financing and pursue refinancing opportunities to reduce interest costs when feasible.
- Keep rating agencies informed about Alaska in order to maintain the state's bond rating.

4. Safeguard and monitor the invested assets of the state.

- Issue accurate and timely financial reports.

- Monitor compliance with established internal controls and policies.

### **Key Component Issues for FY2002 – 2003**

- Key issues for cash management relate to Alaska's geographical dispersion of population and the difficulty of access to communities, which, because it makes traditional paper-based transactions problematic, puts a premium on technologies that do not rely on traditional forms of transportation. Accordingly, Treasury is involved in the development of cutting-edge technology for cash management, which requires effort and time to reach the desired goal. Primary key issues for portfolio management include dealing with the financial and economic turmoil caused by the terrorist attacks of September 11 as well as managing investment risk in the current low interest rate environment. A key issue for the state comptroller will be implementation of a holder compliance program for unclaimed property.

### **Major Component Accomplishments in 2001**

- The following funds exceeded their benchmarks in 2001: the General Fund, the Alaska Children's Trust, the CBRF, the Exxon Valdez Oil Spill Trust Fund, the Retiree Health Insurance Long-term Care and Major Medical Funds, the Public School Trust, and the International Airports Revenue and Construction Funds.
- Implemented a securities lending program that should return \$1,500,000 per year to the various funds Treasury manages.
- Issued ACH origination contract to allow for both disbursements and collection of funds electronically.
- Restructured account analysis with Keybank to consolidate all contracts under a single fee schedule, resulting in an automated account analysis, and a savings to the state in excess of \$20,000.
- Performed analysis, and extensive testing of upgraded system to report state receipts and disbursements to DOA's accounting system.
- Assisted ACPE in the implementation of electronic payments to selected universities.
- Added several new locations to existing credit card contract.
- Implemented a master lease program to allow tax-exempt financing of smaller purchases that were previously financed at taxable rates or purchased.
- Facilitated a \$9 million lease purchase transaction for DOT statewide equipment fleet.
- Issued \$2.33 million in Bond Anticipation Notes for the Clean Water and Drinking Water Funds.

### **Statutory and Regulatory Authority**

AS 14.25.180  
AS 14.40.400  
AS 14.40.803-805  
AS 18.26  
AS 18.56.110  
AS 37.05.200  
AS 37.10  
AS 37.10.050  
AS 37.10.060  
AS 37.10.070-.075  
AS 37.12

AS 37.15  
AS 39.30.155  
AS 39.35.080  
AS 43.05.150  
AS 43.05.170  
AS 43.05.180  
AS 44.25.020

## Treasury Management

### Component Financial Summary

*All dollars in thousands*

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	2,245.4	2,452.6	2,750.5
72000 Travel	29.0	43.6	23.6
73000 Contractual	974.3	934.8	759.8
74000 Supplies	7.9	17.5	17.5
75000 Equipment	17.5	15.1	15.1
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>3,274.1</b>	<b>3,463.6</b>	<b>3,566.5</b>
<b>Funding Sources:</b>			
1001 Constitutional Budget Reserve Fund	121.7	125.0	0.0
1004 General Fund Receipts	1,218.5	1,156.3	1,157.6
1005 General Fund/Program Receipts	0.0	161.4	188.9
1007 Inter-Agency Receipts	1,663.9	1,583.6	1,759.0
1011 Alaska Advance College Tuition Payment Fund	21.2	28.5	0.0
1027 International Airport Revenue Fund	31.3	31.6	38.6
1046 Student Revolving Loan Fund	22.2	22.5	27.2
1053 Investment Loss Trust Fund	31.8	17.6	22.4
1066 Public School Fund	57.2	154.6	164.2
1089 Power Cost Equalization Fund	23.0	86.1	0.0
1098 Children's Trust Fund Earnings	34.3	43.2	52.7
1142 Retiree Health Ins Fund/Major Medical	17.5	19.9	23.4
1143 Retiree Health Ins Fund/Long-Term Care Fund	31.5	33.3	36.8
1169 PCE Endowment Fund	0.0	0.0	95.7
<b>Funding Totals</b>	<b>3,274.1</b>	<b>3,463.6</b>	<b>3,566.5</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b>Unrestricted Revenues</b>						
Unrestricted Fund	68515	0.0	1,500.0	1,338.6	1,157.6	1,500.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>1,500.0</b>	<b>1,338.6</b>	<b>1,157.6</b>	<b>1,500.0</b>
<b>Restricted Revenues</b>						
Interagency Receipts	51015	1,663.9	1,583.6	1,583.6	1,759.0	1,759.0
General Fund Program Receipts	51060	0.0	161.4	161.4	188.9	188.9

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Restricted Total		1,663.9	1,745.0	1,745.0	1,947.9	1,947.9
Total Estimated Revenues		1,663.9	3,245.0	3,083.6	3,105.5	3,447.9



## Treasury Management

## Proposed Changes in Levels of Service for FY2003

No anticipated service changes

**Summary of Component Budget Changes**  
**From FY2002 Authorized to FY2003 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>1,442.7</b>	<b>0.0</b>	<b>2,020.9</b>	<b>3,463.6</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	21.3	0.0	49.1	70.4
-Delete Fiscal Note funding for Bonds to Fund Public Facilities, Ch 96 SLA 2001 (HB234)	-50.0	0.0	0.0	-50.0
-Transfer funding for CBR Investment Mgt Fees to Language Section component	-125.0	0.0	0.0	-125.0
-Delete Fiscal Note funding for Kenai Private Prison, CH 32 SLA 2001 (HB149)	-20.0	0.0	0.0	-20.0
<b>Proposed budget increases:</b>				
-Reclass position to full time to increase collection of Unclaimed Property	27.5	0.0	0.0	27.5
-Increase investment officer salaries as per salary plan	50.0	0.0	150.0	200.0
<b>FY2003 Governor</b>	<b>1,346.5</b>	<b>0.0</b>	<b>2,220.0</b>	<b>3,566.5</b>

**Treasury Management**  
**Personal Services Information**

Authorized Positions			Personal Services Costs	
	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>		
Full-time	33	34	Annual Salaries	2,148,962
Part-time	1	0	COLA	62,472
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	631,251
			<i>Less 3.24% Vacancy Factor</i>	(92,185)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>34</b>	<b>34</b>	<b>Total Personal Services</b>	<b>2,750,500</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant II	0	0	1	0	1
Accountant III	0	0	3	0	3
Accountant IV	0	0	2	0	2
Accounting Clerk II	0	0	1	0	1
Accounting Tech I	0	0	1	0	1
Accounting Tech II	0	0	2	0	2
Accounting Tech III	0	0	2	0	2
Administrative Assistant	0	0	1	0	1
Administrative Clerk III	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Aspib Liaison Officer	0	0	1	0	1
Assistant Investment Officer	0	0	1	0	1
Asst State Comptroller	0	0	1	0	1
Dep Commissioner	0	0	1	0	1
Loan/Collection Off II	0	0	1	0	1
Micro/Network Spec I	0	0	1	0	1
Operations Res Anl I	0	0	1	0	1
Project Coord	0	0	1	0	1
Secretary	0	0	1	0	1
State Comptroller	0	0	1	0	1
State Investment Officer I	0	0	2	0	2
State Investment Officer II	0	0	3	0	3
State Investment Officer III	0	0	3	0	3
State Investment Officer IV	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>0</b>	<b>34</b>

## **Component: Alaska State Pension Investment Board**

**Contact: Betty Martin, Comptroller**

**Tel:** (907) 465-2352 **Fax:** (907) 465-2394 **E-mail:** Betty\_Martin@revenue.state.ak.us

### **Component Mission**

The mission of State Pension Investment Board is to manage state pension funds.

### **Component Services Provided**

1. Invest the funds of the state defined-benefit pension plans:
  - Public Employees Retirement System
  - Teachers' Retirement System
  - Judicial Retirement System
  - Alaska National Guard and Alaska Naval Militia Retirement System
2. Select and monitor appropriate investment options for the Supplemental Benefits Annuity Plan and the Deferred Compensation Plan.

### **Component Goals and Strategies**

- Maximize the rate of return on funds managed consistent with fiduciary standards.
- Manage the Trusts in accordance with the stated asset allocation objectives and constraints.
- Meet or exceed established investment benchmarks/targets over the appropriate time horizons.
- Achieve top quartile investment returns on a risk-adjusted basis while limiting total risk to that of an average public-sector plan over the long term.
- Provide balanced menu of options for supplemental benefit systems and deferred compensation participants.

### **Key Component Issues for FY2002 – 2003**

- Key issues for the board include dealing with the financial and economic turmoil caused by the terrorists attacks of September 11. The board also is committed to continuing to improve the investment program for participants in the Supplemental Benefits System and Deferred Compensation Plans.

### **Major Component Accomplishments in 2001**

- In 2001 the Public Employees and Teachers Retirement Systems both exceeded their benchmark returns.
- The board implemented a securities lending program.
- The board added several new options to the Deferred Compensation and the Supplemental Benefits System Plans to improve participants' investment choices.
- The board terminated several investment managers and reallocated those investments to improve returns going forward. Reallocating to existing managers also resulted in a reduction of over \$2 million in annual management fees.

### **Statutory and Regulatory Authority**

AS 14.25.180

AS 22.25.048(c)  
AS 26.05.228(c)  
AS 37.10.071  
AS 37.10.210-AS 37.10.390  
AS 39.35.080

## Alaska State Pension Investment Board

## Component Financial Summary

*All dollars in thousands*

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	154.5	0.0	0.0
72000 Travel	2,601.2	157.9	157.9
73000 Contractual	24.6	2,917.6	3,096.3
74000 Supplies	83.7	50.0	50.0
75000 Equipment	0.0	70.0	70.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>2,864.0</b>	<b>3,195.5</b>	<b>3,374.2</b>
<b>Funding Sources:</b>			
1017 Benefits Systems Receipts	90.7	99.0	99.0
1029 Public Employees Retirement Fund	1,815.5	2,018.9	2,128.5
1034 Teachers Retirement System Fund	942.9	1,059.7	1,118.8
1042 Judicial Retirement System	12.5	15.0	22.0
1045 National Guard Retirement System	2.4	2.9	5.9
<b>Funding Totals</b>	<b>2,864.0</b>	<b>3,195.5</b>	<b>3,374.2</b>

**Alaska State Pension Investment Board****Proposed Changes in Levels of Service for FY2003**

No anticipated service changes

**Summary of Component Budget Changes****From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>3,195.5</b>	<b>3,195.5</b>
<b>Proposed budget increases:</b>				
-FY2003 State Facilities Rent increase	0.0	0.0	3.3	3.3
-Increase funding needed for RSA to Treasury for staff assistance	0.0	0.0	175.4	175.4
<b>FY2003 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>3,374.2</b>	<b>3,374.2</b>

## **Component: Tax Division**

**Contact: Dan Dickinson, Director**

**Tel:** (907) 269-6620 **Fax:** (907) 269-6644 **E-mail:** dan\_dickinson@revenue.state.ak.us

## **Component Mission**

The mission of the Tax Division is to collect taxes consistent with statute.

## **Component Services Provided**

- Administer 19 tax types including four special oil and gas taxes, six fisheries taxes and nine excise, income and other tax types, providing over half of non-federal General Fund revenues, including development and processing of tax returns, collection of and accounting for revenues, compliance, and taxpayer service.
- Administer three non-tax programs; charitable gaming, royalty auditing and salmon price reporting.
- Collect and present information to public and policy makers.

## **Component Goals and Strategies**

- Streamline and simplify the fisheries business tax licensing and filing process to reduce the administrative burden on taxpayers and foster tax compliance.
- Design and implement software to eliminate unnecessary examination effort currently being performed on 70% of corporate returns filed.
- Create a cost web-based electronic filing and licensing application development process.
- Redesign forms and software to obtain and process shared revenue data more efficiently.
- Increase use of computerized filing of reports and other required information with an emphasis on oil and gas taxes where most taxpayers are fairly sophisticated.
- Emphasize up-front compliance and consultation with the taxpayers rather than after the fact audits to arrive at correct amount for production tax.
- Increase the scope of communication and consultation between municipal and industry stakeholders in the administration of oil and gas property taxes.
- Continue the process of overhauling the Revenue Sources book to increase its usefulness and information content.
- Stay on track for resolving oil and gas production tax matters timely
- Continue trying to set up a mechanism for an annual projection of revising any regulation where ambiguity has led to a compromised assessment.

## **Key Component Issues for FY2002 – 2003**

Key legislation passed in 2001 included:

HB 154 (Ch 42 SLA 2001) Effective Date 09/23/2001

- Fisheries Business Tax/Fishery Resource Landing Tax. This bill modified the tax payment security requirements

necessary to obtain a state fisheries business tax license.

HB 228 (Ch 88 SLA 2001) Effective Date 07/01/2001

- Sale of Tobacco Products. Relevant sections in this bill gave the division new tools to enforce the nationwide Master Settlement Agreement signed by the major cigarette producers and states.

SB 151 (Ch 78 SLA 2001) Effective Date 01/01/2002

- Bristol Bay Salmon Classic. The state's charitable gaming laws allow certain organizations to conduct "salmon classic" games of chance. This legislation adds the Bristol Bay Native Corporation Education Foundation to the list, allowing the education foundation to conduct a fund-raising salmon classic.

SB 158 (Ch 38 SLA 2001) Effective Date 06/26/2001

- Study of State Participation in Gas Line Ownership. This legislation directs the department to prepare a detailed report on the merits of the state ownership and/or financial stake in North Slope natural gas commercialization project.

#### Key Issues for 2002- 2003:

- Creating and maintaining effective information technology programs, which will require retaining and attracting high quality personnel.
- Keep current with analysis and research pertinent to developments with the proposed Alaska natural gas project.
- Auditing oil and gas related taxes for 2000, which include major transition and adjustments for all our major taxpayers.
- Bringing in a new State Petroleum Properties Assessor and administering AS 43.56 when tensions between municipalities and taxpayers seem to be on the increase.

### **Major Component Accomplishments in 2001**

- During FY 2001 the division implemented new regulations and enhancements to the tax data base for motor fuel tax, resulting in fewer staff hours necessary to record taxpayer data.
- The new Alaska Salmon Price Report requirements were implemented in FY 2001 by the creation of a database and reporting system to meet the requirements of HB 363.
- FY 2001 also brought about the division computerized time reporting system, allowing for more accurate reporting of staff hours charged to tax programs.
- Effective January 1, 2001, the administration of unclaimed property was transferred to the Treasury Division within the Revenue Operations component.
- Continued to improve use of information technology in division tax programs. We designed and implemented a new data entry and return examination application for motor fuel tax. Will be expanded to Corporate Income Tax
- Stayed on schedule for closing out oil and gas production tax matters, closing all matters through 1996 and all audits through 1997 (two matters left in appeals)
- Participated in TAPS hearing before the State Assessment Review Board and essentially held a middle ground valuation that was \$1 billion higher than requested by taxpayers and \$3 billion lower than requested by municipalities
- Put out an effective and informative Revenue Sources book that explored fiscal options and their economic impacts



- Completed substantial work on new regulations package concerning allowable transportation deductions under AS 43.55.

### Statutory and Regulatory Authority

AS 04.11\*  
 AS 09.50  
 AS 10.25\*  
 AS 16.51  
 AS 38.05  
 AS 43.05  
 AS 43.10  
 AS 43.19  
 AS 43.20  
 AS 43.21  
 AS 43.31  
 AS 43.35\*  
 AS 43.40\*  
 AS 43.50  
 AS 43.55  
 AS 43.56  
 AS 43.57  
 AS 43.60  
 AS 43.65  
 AS43.75\*  
 AS 43.76  
 AS 43.77\*  
 AS 43.80  
 AS 42.05  
 AS 42.06  
 15 AAC 04.001 - 15 AAC 04.320  
 15 AAC 05.001 - 15 AAC 05-320  
 15 AAC 19.011 - 15 AAC 19.1390  
 15 AAC 20.010 - 15 AAC 20.390  
 15 AAC 20.410 - 15 AAC 20.920  
 15 AAC 21.001 - 15 AAC 21.9701  
 15 AAC 35.010 - 15 AAC 35.100  
 15 AAC 40.010 - 15 AAC 40.900  
 15 AAC 50.010 - 15 AAC 50.190  
 15 AAC 55.010 - 15 AAC 55.9700  
 15 AAC 56.005 - 15 AAC 56.130  
 15 AAC 60.010 - 15 AAC 60.310  
 15 AAC 65.010 - 15 AAC 65.990  
 15 AAC 75.010 - 15 AAC 75.300  
 15 AAC 76.010 - 15 AAC 76.290  
 15 AAC 77.005 - 15 AAC 77.990  
 15 AAC 80.010  
 15 AAC 116.010 - 15 AAC 116.700  
 15 AAC 160  
 26 U.S.C. 38 Internal Revenue Code

\* Statutes provide for sharing taxes and fees.

## Tax Division

### Component Financial Summary

*All dollars in thousands*

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	5,207.2	5,458.2	5,594.9
72000 Travel	129.4	161.3	161.3
73000 Contractual	1,030.9	1,294.2	928.2
74000 Supplies	81.6	51.6	51.6
75000 Equipment	220.2	4.9	4.9
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>6,669.3</b>	<b>6,970.2</b>	<b>6,740.9</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	5,462.0	5,800.6	5,748.0
1005 General Fund/Program Receipts	754.6	604.5	617.9
1007 Inter-Agency Receipts	67.3	115.3	119.6
1053 Investment Loss Trust Fund	27.9	0.0	0.0
1061 Capital Improvement Project Receipts	12.8	12.7	13.0
1103 Alaska Housing Finance Corporation Receipts	106.9	0.0	0.0
1105 Alaska Permanent Fund Corporation Receipts	237.8	237.1	242.4
1108 Statutory Designated Program Receipts	0.0	200.0	0.0
<b>Funding Totals</b>	<b>6,669.3</b>	<b>6,970.2</b>	<b>6,740.9</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b><u>Unrestricted Revenues</u></b>						
Unrestricted Fund	68515	1,773.8	1,418.0	1,418.0	1,418.0	1,418.0
<b>Unrestricted Total</b>		<b>1,773.8</b>	<b>1,418.0</b>	<b>1,418.0</b>	<b>1,418.0</b>	<b>1,418.0</b>
<b><u>Restricted Revenues</u></b>						
Interagency Receipts	51015	67.3	115.3	115.3	119.6	119.6
General Fund Program Receipts	51060	754.6	604.5	604.5	617.9	617.9
Statutory Designated Program Receipts	51063	0.0	200.0	0.0	0.0	0.0
Capital Improvement Project Receipts	51200	12.8	12.7	12.7	13.0	13.0
<b>Restricted Total</b>		<b>834.7</b>	<b>932.5</b>	<b>732.5</b>	<b>750.5</b>	<b>750.5</b>

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Total Estimated Revenues		2,608.5	2,350.5	2,150.5	2,168.5	2,168.5

**Tax Division****Proposed Changes in Levels of Service for FY2003**

There are no proposed services changes for FY 2003.

**Summary of Component Budget Changes  
From FY2002 Authorized to FY2003 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>6,405.1</b>	<b>0.0</b>	<b>565.1</b>	<b>6,970.2</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	126.8	0.0	9.9	136.7
-Delete one-time supplemental appropriation, SEC 12 (a) CH 3 SLA2001 (HB117)	-168.8	0.0	-200.0	-368.8
<b>Proposed budget increases:</b>				
-FY2003 State Facilities Rent increase	2.8	0.0	0.0	2.8
<b>FY2003 Governor</b>	<b>6,365.9</b>	<b>0.0</b>	<b>375.0</b>	<b>6,740.9</b>

## Tax Division

## Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2002 Authorized	FY2003 Governor		
Full-time	87	87	Annual Salaries	4,541,938
Part-time	1	1	COLA	103,358
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	1,469,899
			Less 8.51% Vacancy Factor	(520,295)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>88</b>	<b>88</b>	<b>Total Personal Services</b>	<b>5,594,900</b>

## Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant IV	0	0	1	0	1
Accounting Clerk II	0	0	2	0	2
Accounting Spvr II	0	0	1	0	1
Accounting Tech I	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Accounting Tech III	0	0	3	0	3
Administrative Assistant	1	0	1	0	2
Administrative Clerk II	2	0	6	0	8
Administrative Manager II	0	0	1	0	1
Administrative Supervisor	0	0	1	0	1
Analyst/Programmer I	0	0	1	0	1
Analyst/Programmer II	0	0	2	0	2
Analyst/Programmer V	0	0	2	0	2
Deputy Director, Tax Division	1	0	0	0	1
Division Director	1	0	0	0	1
Economist I	1	0	0	0	1
Economist II	1	0	0	0	1
Economist III	0	0	1	0	1
Investigator III	1	0	0	0	1
Investigator IV	1	0	0	0	1
Micro/Network Spec I	1	0	0	0	1
Petroleum Economist I	3	0	0	0	3
Petroleum Economist II	1	0	0	0	1
Revenue Audit Supvr I	0	0	2	0	2
Revenue Audit Supvr II	2	0	0	0	2
Revenue Audit Supvr III	0	0	2	0	2
Revenue Auditor II	1	0	0	0	1
Revenue Auditor III	6	0	1	0	7
Revenue Auditor IV	8	0	1	0	9
Revenue Auditor V	11	0	0	0	11
State Petro Prop Assess	1	0	0	0	1
Tax Technician I	1	0	3	0	4
Tax Technician II	0	0	4	0	4
Tax Technician III	3	0	2	0	5
Tax Technician IV	0	0	2	0	2
<b>Totals</b>	<b>47</b>	<b>0</b>	<b>41</b>	<b>0</b>	<b>88</b>

## **BRU/Component: ASPIB Bank Custody and Management Fees**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

### **Contact: Betty Martin, Comptroller**

**Tel:** (907) 465-2352 **Fax:** (907) 465-2394 **E-mail:** Betty\_Martin@revenue.state.ak.us

### **Component Mission**

See Alaska State Pension Investment Board (Component 1961) under Revenue Operations (BRU 49).

### **Component Services Provided**

See Alaska State Pension Investment Board (Component 1961) under Revenue Operations (BRU 49).

### **Component Goals and Strategies**

See Alaska State Pension Investment Board (Component 1961) under Revenue Operations (BRU 49).

### **Key Component Issues for FY2002 – 2003**

See Alaska State Pension Investment Board (Component 1961) under Revenue Operations (BRU 49).

### **Major Component Accomplishments in 2001**

See Alaska State Pension Investment Board (Component 1961) under Revenue Operations (BRU 49).

### **Statutory and Regulatory Authority**

See Alaska State Pension Investment Board (Component 1961) under Revenue Operations (BRU 49).

### **Key Performance Measures for FY2003**

#### **Measure:**

See Alaska State Pension Investment Board (Component 1961) under Revenue Operations (BRU 49).  
Sec Ch 90 SLA 2001(HB 250)

#### **Alaska's Target & Progress:**

See Alaska State Pension Investment Board (Component 1961) under Revenue Operations (BRU 49).

#### **Benchmark Comparisons:**

See Alaska State Pension Investment Board (Component 1961) under Revenue Operations (BRU 49).

**ASPIB Bank Custody and Management Fees****Component Financial Summary***All dollars in thousands*

	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	27,137.8	33,713.6	27,913.6
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>27,137.8</b>	<b>33,713.6</b>	<b>27,913.6</b>
<b>Funding Sources:</b>			
1029 Public Employees Retirement Fund	17,770.7	21,917.8	18,147.8
1034 Teachers Retirement System Fund	9,156.6	11,445.9	9,415.9
1042 Judicial Retirement System	155.7	253.4	253.4
1045 National Guard Retirement System	54.8	96.5	96.5
<b>Funding Totals</b>	<b>27,137.8</b>	<b>33,713.6</b>	<b>27,913.6</b>

**ASPIB Bank Custody and Management Fees****Proposed Changes in Levels of Service for FY2003**

See Alaska State Pension Investment Board (Component 1961) under Revenue Operations (BRU 49).

**Summary of Component Budget Changes****From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>33,713.6</b>	<b>33,713.6</b>
<b>Proposed budget decreases:</b>				
-Reduce external manager fees due to lower contract fees and lower market values	0.0	0.0	-5,800.0	-5,800.0
<b>FY2003 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>27,913.6</b>	<b>27,913.6</b>



## **Administration and Support Budget Request Unit**

**Contact: Larry Persily, Deputy Commissioner, Dept. of Revenue**

**Tel:** (907) 465-5469 **Fax:** (907) 465-2389 **E-mail:** Larry\_Persily@revenue.state.ak.us

### **BRU Mission**

The mission of the Office of the Commissioner is to provide support and policy direction to the department's divisions. The commissioner's office assists the divisions in setting and reaching their goals at the lowest possible cost and with the best service to the public; to provide information and expertise as needed by the Office of the Governor, other departments, and the legislature in managing the state's finances; and to operate the hearing officer section for the child support, Permanent Fund dividend, and charitable gaming appeals.

Renewed emphasis has been added to the following missions recently:

- To manage the state's research and analysis-and response-to fiscal, tax and financing issues related to encouraging and promoting development of Alaska's North Slope natural gas resources.
- To assist the Office of the Governor, the Legislature and others in developing options for a long-term state fiscal plan.

The mission of the Division of Administrative Services is to provide support services for departmental programs. The Administrative Services Division provides divisions and agencies with administrative support in the most cost effective manner. The division is responsible for ensuring that all accounting, personnel, and procurement actions initiated within the department are in compliance with statutes, regulation and administrative policy.

### **BRU Services Provided**

The commissioner's office provides management oversight to all operating agencies within the department. Key responsibilities include providing policy direction and oversight of the divisions responsible for the administration of the Permanent Fund Dividend program; administration and enforcement of charitable gaming laws; administration and enforcement of state tax laws; investment and management of nearly all state funds; and oversight of enforcement and collection of child support obligations and orders.

The commissioner or his designee serves on various boards and commissions including the Alaska Permanent Fund Corporation, Alaska State Pension Investment Board, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Municipal Bond Bank Authority, Alaska Student Loan Corporation and State Bond Committee.

The Administrative Services Division is comprised of three sections. The Human Resource Section provides centralized personnel and payroll services to the line divisions and other agencies within the department for administrative purposes. The Fiscal/Budget/Procurement Section serves as the general accounting section for the department and is responsible for budget preparation, expenditure projections, accounts payable, travel accounting, records management, contract administration and general accounting transactions. The section also implements the department's purchasing policies and is responsible for general supply support, lease management and property control. The Information Technology Team is responsible for programming and maintenance support for department-wide information systems. All data processing equipment and software purchases are reviewed and approved by the data processing manager to ensure conformity with the department's established standards and long term plans.

### **BRU Goals and Strategies**

We continue to assess and evaluate the way we do business in the operating divisions of the Department of Revenue. Our management philosophy stresses ongoing reassessment of our programs to provide better service to the public in a cost effective way. We continue to identify cost-saving ways to consolidate, innovate, and streamline our functions. This approach must be balanced, however, with continued perseverance of the department's main mission to collect and invest funds for public purposes. A delicate balance must be achieved in which we can continue to fund operating efficiencies without jeopardizing our ability to collect and invest funds for public purposes.

### **Key BRU Issues for FY2002 – 2003**

- The commissioner's office will devote a substantial amount of its resources to assisting the Office of the Governor and the Legislature in developing a long-term fiscal plan for the state. This will include research and analysis of revenue issues and proposals, and assisting in presenting that information to the public.
- The commissioner's staff will continue to assist the Child Support Enforcement Division in meeting its goal of providing prompt, courteous and accurate service to the public. Collections are up substantially at the child support division, and the backlog in the accounting section has been resolved. The next step will be to improve our customer service work to the high standards the public deserves.
- The commissioner's staff will help direct the Permanent Fund Dividend Division toward implementing an effective audit procedure for random selection of dividend applicants to verify their eligibility information. The dividend program has never had an audit program for verifying the accuracy of random applications, and we believe it is important to adopt such a program to show the public that we have adequate safeguards in place and deter fraudulent applicants.
- The commissioner's office is concerned that a growing number of Alaskans may be purchasing untaxed cigarettes via the Internet or through mail-order promotions to avoid the state's \$1-a-pack cigarette tax. In addition to the loss of state revenue, such access to cigarettes is contrary to the state's efforts to reduce smoking - especially by minors. The commissioner's office will be actively involved in the Tax Division's effort to secure legislative approval of a tax stamp program for Alaska. Under the proposed legislation, all cigarettes brought into Alaska would be required to have a state tobacco tax stamp. Such a visible proof that taxes have been paid would help the Tax Division in its enforcement efforts, while also producing upward of an estimated million dollars a year in revenue to the state.

### **Major BRU Accomplishments in 2001**

- The Tax Division, working with the Commissioner's Office, embarked on a major revision to its twice-yearly state revenue forecast booklets. The expanded format is intended to acknowledge the growing role in Alaska's budget filled by federal funding and investment earnings, and to help educate policy makers and the public on the state's fiscal future. The fall 2000 and spring 2001 forecast books were a good start in this effort, which will continue through Fiscal 2002.
- The formal hearing staff has succeeded in reducing the time it takes to hold a hearing and issue a decision in dividend and child support appeals. We have more work to do in this area, however, and will continue looking for ways to speed up the delivery of appeal answers to the public.
- The commissioner's office and the Tax Division devoted substantial resources in 2001 to assisting the Legislature and the Office of the Governor in understanding the fiscal issues of a natural gas project, including devoting a significant amount of staff time for the Joint Legislative Committee on Natural Pipeline and the Governor's Alaska Highway Natural Gas Advisory Council.
- Working with the governor's Office of Management and Budget and the Legislature, the commissioner's office assisted in a statewide series of town meetings to educate people on the state's fiscal problems. This work will continue during the 2002 legislative session.

### **Key Performance Measures for FY2003**

#### **Measure:**

Commissioner's Office: The percentage of divisions that meet assigned performance measures.  
Sec 136 (b) (1) Ch 90 SLA 2001(HB 250)

#### **Alaska's Target & Progress:**

- All of the divisions are meeting most, if not all, of their assigned performance measures. The commissioner's office will continue tracking the measures and will work with those divisions in any areas where they come up short during the year.

**Measure:**

Commissioner's Office: The average time taken to respond to complaints and questions that have been elevated to the commissioner's office.

Sec 136 (b) (2) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- The average time for a written response to dividend complaints and questions addressed to the commissioner's office was 7.7 calendar days in Fiscal 2001. This follows the Fiscal 2000 response time of 6.6 days.
- The average time for a written response to child support complaints and questions addressed to the commissioner's office was 11.5 calendar days in Fiscal 2001. This is consistent with the 11.23 days it took for a response in Fiscal 2000.

**Measure:**

Commissioner's Office: The average time taken to issue decisions in child support and permanent fund dividend appeals.

Sec 136 (b) (3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- The average time to issue a child support formal appeal decision is 20 days after the hearing.
- The average time to issue a dividend formal appeal decision is 30 days after the hearing.

**Measure:**

Commissioner's Office: The number of decisions sustained as compared to all decisions appealed to the commissioner's office.

Sec 136 (b) (4) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- The hearing officer section overturns or amends about 8 percent of the dividend and child support decisions appealed to formal hearing.

**Measure:**

Administrative Services: The percentage of employee grievances that are overturned by a hearing officer from the Department of Administration or by an arbitrator.

Sec 137 (b) (1) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- A log is being maintained to track the number of grievances overturned by an arbitrator. Thus far in FY 2002, two grievances have been filed. Neither has been overturned.

**Measure:**

Administrative Services: The percentage of employee complaints and grievances filed at the department level that are resolved at that level.

Sec 137 (b) (2) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- A log is being kept on grievance filings and their outcome. Thus far in FY 2002, two have been filed and neither has been resolved.

**Measure:**

Administrative Services: The cost of administrative services as compared to total personnel costs for the department.

Sec 137 (b) (3) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- Total FY2002 Admin. Services Budget \$1,072.4
- Total FY2002 Dept. Personal Service \$49,063.9
- For FY 2002, the Administrative Services total budget is 2.20% of total agency personal services.
- For FY 2001, the Administrative Services total budget was 2.28% of total agency personal services.

**Measure:**

Administrative Services: The number and amount of late penalties assessed for payroll or vendor payment.  
Sec 137 (b) (4) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- A copy of penalty pay documents will be kept on file with notation if penalty pay was issued. No late penalties for payroll have been assessed in FY 2002.
- An AKSAS report will be maintained for late penalties for vendor payments. No penalties have been assessed for late vendor payments in FY 2002.

**Measure:**

Administrative Services: The number of audit exceptions resolved for the department.  
Sec 137 (b) (5) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- A log is being maintained to track the number of audit exceptions or findings resolved for the department.
- For FY 2001, the department had 7 exceptions/findings and all 7 were resolved. Thus far in FY 2002 the due date for responding to any findings has not been reached.

**Administration and Support**  
**BRU Financial Summary by Component**

*All dollars in thousands*

	<b>FY2001 Actuals</b>				<b>FY2002 Authorized</b>				<b>FY2003 Governor</b>			
	<b>General Funds</b>	<b>Federal Funds</b>	<b>Other Funds</b>	<b>Total Funds</b>	<b>General Funds</b>	<b>Federal Funds</b>	<b>Other Funds</b>	<b>Total Funds</b>	<b>General Funds</b>	<b>Federal Funds</b>	<b>Other Funds</b>	<b>Total Funds</b>
<b>Formula Expenditures</b> None.												
<b>Non-Formula Expenditures</b>												
Commissioner's Office	172.8	447.6	333.5	953.9	346.0	451.4	806.0	1,603.4	151.7	511.1	321.8	984.6
Administrative Services	375.5	296.1	417.4	1,089.0	372.1	329.1	371.2	1,072.4	384.5	334.4	463.0	1,181.9
REV State Facilities Rent	206.6	0.0	0.0	206.6	206.6	0.0	0.0	206.6	223.0	0.0	0.0	223.0
<b>Totals</b>	<b>754.9</b>	<b>743.7</b>	<b>750.9</b>	<b>2,249.5</b>	<b>924.7</b>	<b>780.5</b>	<b>1,177.2</b>	<b>2,882.4</b>	<b>759.2</b>	<b>845.5</b>	<b>784.8</b>	<b>2,389.5</b>

**Administration and Support****Proposed Changes in Levels of Service for FY2003**

No anticipated change

**Administration and Support****Summary of BRU Budget Changes by Component****From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>924.7</b>	<b>780.5</b>	<b>1,177.2</b>	<b>2,882.4</b>
<b>Adjustments which will continue current level of service:</b>				
-Commissioner's Office	-196.8	8.6	13.8	-174.4
-Administrative Services	10.8	8.2	8.5	27.5
-REV State Facilities Rent	16.4	0.0	0.0	16.4
<b>Proposed budget decreases:</b>				
-Commissioner's Office	0.0	0.0	-498.6	-498.6
<b>Proposed budget increases:</b>				
-Commissioner's Office	2.5	51.1	0.6	54.2
-Administrative Services	1.6	-2.9	83.3	82.0
<b>FY2003 Governor</b>	<b>759.2</b>	<b>845.5</b>	<b>784.8</b>	<b>2,389.5</b>

## **Component: Commissioner's Office**

**Contact: Larry Persily, Deputy Commissioner**

**Tel:** (907) 465-5469 **Fax:** (907) 465-2389 **E-mail:** Larry\_Persily@revenue.state.ak.us

### **Component Mission**

The mission of the Office of the Commissioner is to provide support and policy direction to the divisions in the department.

### **Component Services Provided**

Much of the commissioner's office staff time is spent on policy direction and oversight of the Permanent Fund Dividend program, the state's charitable gaming laws and tax laws, management of state funds, and oversight of the child support program.

The commissioner and staff also have devoted substantial time this past year to:

- Organizing the state's research and analysis — and response — to fiscal, tax and financing issues related to encouraging and promoting development of Alaska's North Slope natural gas resources.
- Assisting the Office of the Governor, the Legislature and others in developing options for a long-term state fiscal plan.

The commissioner or a designee also serves on the board of directors of the Alaska Permanent Fund Corporation, Alaska State Pension Investment Board, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Municipal Bond Bank Authority, Alaska Student Loan Corporation and State Bond Committee.

### **Component Goals and Strategies**

The two most significant issues facing the commissioner's office over the next year will be:

- To assist in the state's efforts to promote commercialization of the North Slope's enormous natural gas reserves.
- To assist the Office of the Governor and the Legislature in their quest for a long-range fiscal plan for sustainable state revenues.

The commissioner's office also has as its goal by the end of calendar 2002 to achieve acceptable and consistent levels of quality public services at the child support and dividend divisions, assisting those divisions in setting up efficient programs to deal with the massive numbers of public contacts that come into the offices on a daily basis.

### **Key Component Issues for FY2002 – 2003**

The commissioner's office will devote a substantial amount of its resources to assisting the Office of the Governor and the Legislature in developing a long-term fiscal plan for the state. This will include research and analysis of revenue issues and proposals, and assisting in presenting that information to the public.

- The commissioner's staff will continue to assist the Child Support Enforcement Division in meeting its goal of providing prompt, courteous and accurate service to the public. Collections are up substantially at the child support division, and the backlog in the accounting section has been resolved. The next step will be to improve

our customer service work to the high standards the public deserves.

- The commissioner's staff will help direct the Permanent Fund Dividend Division toward implementing an effective audit procedure for random selection of dividend applicants to verify their eligibility information. The dividend program has never had an audit program for verifying the accuracy of random applications, and we believe it is important to adopt such a program to show the public that we have adequate safeguards in place and to deter fraudulent applicants.
- Formal appeals of Permanent Fund dividend denials and child support orders come to the hearing office section of the commissioner's office. Although the hearing decisions are legal documents, often entered into the record on appeal to the courts, it is important to remember that most dividend applicants and many child support participants do not have legal counsel, and the hearing decisions need to answer their questions and explain the applicable laws clearly.

### **Major Component Accomplishments in 2001**

- The Tax Division, working with the commissioner's office, embarked on a major revision to its twice-yearly state revenue forecast booklets. The expanded format is intended to acknowledge the growing role in Alaska's budget filled by federal funding and investment earnings, and to help educate policy makers and the public on the state's fiscal future. The fall 2000 and spring 2001 forecast books were a good start in this effort, which will continue through Fiscal 2002.
- The formal hearing staff has succeeded in reducing the time it takes to hold a hearing and issue a decision in dividend and child support appeals. We have more work to do in this area, however, and will continue looking for ways to speed up the delivery of appeal answers to the public.
- The commissioner's office and the Tax Division devoted substantial resources in 2001 to assisting the Legislature and the Office of the Governor in understanding the fiscal issues of a natural gas project, including devoting a significant amount of staff time for the Joint Legislative Committee on Natural Pipeline and the Governor's Alaska Highway Natural Gas Advisory Council.
- Working with the governor's Office of Management and Budget and the Legislature, the commissioner's office assisted in a statewide series of town meetings to educate people on the state's fiscal problems. This work will continue during the 2002 legislative session.
- The commissioner's office assisted the Child Support Enforcement Division in winning legislative approval in the 2001 session for extending the federally mandated requirements of welfare reform as they pertain to management of state child support programs. Several enforcement and collection tools would have expired June 30, 2001, without legislature approval to extend the "sunset clause."

### **Statutory and Regulatory Authority**

AS 04  
AS 09.25.100  
AS 09.50  
AS 10.25.570  
AS 14.25.180  
AS 16.10.265  
AS 16.10.290  
AS.18.26  
AS 18.56  
AS 25.25  
AS 25.27



AS 34.45  
AS 37.05.200  
AS 37.10  
AS 37.10.050-.087  
AS 37.13  
AS 37.14.011  
AS 37.14.110  
AS 37.14.120  
AS 37.14.200  
AS 37.15  
AS 37.17  
AS 38.05.036  
AS 39.35.110  
AS 43  
AS 44.25  
AS 44.82  
AS 44.83.386  
AS 44.85  
AS 45.98.050

## Commissioner's Office

### Component Financial Summary

*All dollars in thousands*

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	704.4	792.3	754.3
72000 Travel	55.7	43.0	14.8
73000 Contractual	173.2	738.7	198.1
74000 Supplies	14.2	29.4	17.4
75000 Equipment	6.4	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>953.9</b>	<b>1,603.4</b>	<b>984.6</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	172.8	346.0	151.7
1007 Inter-Agency Receipts	332.4	311.7	321.8
1053 Investment Loss Trust Fund	0.9	0.0	0.0
1108 Statutory Designated Program Receipts	0.2	494.3	0.0
1133 Indirect Cost Reimbursement	447.6	451.4	511.1
<b>Funding Totals</b>	<b>953.9</b>	<b>1,603.4</b>	<b>984.6</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b><u>Unrestricted Revenues</u></b>						
None.		0.0	0.0	0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b><u>Restricted Revenues</u></b>						
Interagency Receipts	51015	332.4	311.7	311.7	321.8	321.8
Statutory Designated Program Receipts	51063	0.2	494.3	0.0	0.0	0.0
UA Indirect Cost Recovery	51115	447.6	451.4	451.4	511.1	511.1
<b>Restricted Total</b>		<b>780.2</b>	<b>1,257.4</b>	<b>763.1</b>	<b>832.9</b>	<b>832.9</b>
<b>Total Estimated Revenues</b>		<b>780.2</b>	<b>1,257.4</b>	<b>763.1</b>	<b>832.9</b>	<b>832.9</b>

## Commissioner's Office

## Proposed Changes in Levels of Service for FY2003

No anticipated service changes

**Summary of Component Budget Changes**  
**From FY2002 Authorized to FY2003 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>346.0</b>	<b>451.4</b>	<b>806.0</b>	<b>1,603.4</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	3.2	8.6	13.8	25.6
-Delete one-time supplemental appropriation, CH 38 SLA 2001 (SB158)	-200.0	0.0	0.0	-200.0
<b>Proposed budget decreases:</b>				
-Eliminate Authorization for Uncollectible Statutory Designated Program Receipts	0.0	0.0	-498.6	-498.6
<b>Proposed budget increases:</b>				
-FY2003 State Facilities Rent increase	2.5	0.0	0.0	2.5
-Increase in funding for administrative functions per the Administrative Cost Allocation Plan	0.0	51.1	0.6	51.7
<b>FY2003 Governor</b>	<b>151.7</b>	<b>511.1</b>	<b>321.8</b>	<b>984.6</b>

**Commissioner's Office****Personal Services Information**

Authorized Positions			Personal Services Costs	
	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>		
Full-time	11	10	Annual Salaries	581,304
Part-time	0	0	COLA	18,634
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	177,756
			<i>Less 3.01% Vacancy Factor</i>	(23,394)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>11</b>	<b>10</b>	<b>Total Personal Services</b>	<b>754,300</b>

**Position Classification Summary**

<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
Commissioner	0	0	1	0	1
Dep Commissioner	0	0	1	0	1
Exec Secretary II	0	0	1	0	1
Law Office Assistant I	1	0	0	0	1
Paralegal Asst I	0	0	1	0	1
Project Asst	1	0	0	0	1
Revenue Hearing Examiner I	1	0	1	0	2
Revenue Hearing Examiner II	0	0	1	0	1
Spec Asst To The Comm II	0	0	1	0	1
<b>Totals</b>	<b>3</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>10</b>

## **Component: Administrative Services**

**Contact: Mike Maher, Director**

**Tel:** (907) 465-2312 **Fax:** (907) 465-1685 **E-mail:** Michael\_Maher@revenue.state.ak.us

### **Component Mission**

The mission of the Division of Administrative Services is to provide support services for departmental programs.

### **Component Services Provided**

The Administrative Services Division is comprised of three sections. The Human Resource Section provides centralized personnel and payroll services to the divisions and other agencies within the department for administrative purposes. The Fiscal/Budget/Procurement Section serves as the general accounting section for the department and is responsible for budget preparation, expenditure projections, accounts payable, travel accounting, records management, contract administration and general accounting transactions. The section also implements the department's purchasing policies and is responsible for general supply support, lease management and property control. The Information Technology Team is responsible for programming and maintenance support for department-wide information systems. All data processing equipment and software purchases are reviewed and approved by the data processing manager to ensure conformity with the department's established standards and long-term plans.

### **Component Goals and Strategies**

Ensure that the department is in compliance with all administrative requirements mandated by statutes, regulation, collective bargaining agreements, and administrative policies and procedures.

#### **FISCAL/BUDGET/PROCUREMENT**

- Ensure appropriations are not overspent.
- Ensure no supplemental appropriations will be necessary due to financial mismanagement.
- Ensure restricted revenues are posted timely and accurately.
- Ensure expenditures are processed in conformity with statutes, regulations, and the administrative manual.

Pay vendors promptly and accurately

- Pay vendors within 30 days so there are no interest payments.

Review department contracts to ensure they are processed in conformity with statutes, regulations, and the administrative manual.

- Ensure no justifiable protests or audit exceptions will occur.

Ensure that the department budgets are accurate, uniform, and timely.

- Budgets will be submitted by required deadlines.
- No major budget revisions will occur due to technical errors.

Ensure that necessary budget changes are processed throughout the year.

- Review and recommend action on revised program requests within three days of receipt of request.

Expedite the delivery of needed supplies and equipment and maximize purchasing dollars.

- Provide for purchasing of supplies, and negotiating quantity discounts and other discounts to reduce supply/equipment costs.
- Fully implement procurement card program in the department.

Effectively screen procurement requests.

- Ensure adherence to policies on data processing hardware/software standards.
- Ensure no justifiable protests will occur.

Process space requests effectively and assure adherence to State/ADA space standards.

- Centralize information pertaining to departmental space availability and uses of space so better management decisions can be made.
- Maintain file of updated floor plans.

#### PROPERTY

Maintain Revenue's equipment and improve reporting time frames for inventory status in compliance with statutory requirements.

- Update property control listings on a continual basis.
- Complete all inventory status reports by end of fiscal year.
- Conduct and reconcile yearly property inventory.

#### HUMAN RESOURCES SECTION

Ensure compliance with personnel rules, contractual regulations, and affirmative action measures.

- Enter into letters of agreement as appropriate under delegated authority.
- Allow no illegal hires or promotions.
- Less than one-third of grievances or complaints will be overturned by the Department of Administration or an arbitrator.

Ensure accurate and timely payroll, personnel and leave processing/accounting.

- Generate personnel actions within applicable pay period with less than a 2% error rate.
- Process family leave entitlements with a 100% accuracy rate and within two working days of request to invoke.
- Have no penalty pay charges assessed.
- Audit 100% of employee leave and pay records semi-monthly.

Enhance knowledge of human resource topics for departmental employees.

- Administer two supervisory courses.
- Administer one family leave course.
- Update policies and procedures.

Improve miscellaneous services.

- Process employment verifications within five working days.
- Approve non-permanent positions within three working days.
- Process all classification requests within 30 days.

Ensure timely employee assessments.

- Notify divisions of impending performance evaluations no later than 30 days in advance of due date.
- Notify divisions of performance evaluations that are due and overdue on a monthly basis.

Participate with the Department of Administration in efforts to improve recruitment and retention issues.

- Attend workshops on workforce planning, succession, and retention.
- Join workgroups or committees to assist in problem resolution.

#### INFORMATION TECHNOLOGY TEAM

Continue to provide secure, reliable, state-of-the-art WAN services within the department.

- Thoroughly evaluate and test all updates prior to implementation.
- Ensure all software and hardware is thoroughly evaluated, tested, installed, and distributed in timely manner.
- Maintain maximum continuous unscheduled downtime of database, web, print, and file servers at less than two hours per month during business hours.
- Continue to monitor database and user file space requirement growth rates so additional disk drive space can be planned and implemented before requirements become critical.
- Establish off-site emergency data backup capabilities.

- Continue to enhance our Internet web home page to provide the most commonly requested information to the public.
- Continue to monitor usage of the various pages to determine which attributes are most beneficial to users, and make that information available to each division's web designers.
- Review on-line and phone recommendations addressed to the web-master.
- Encourage efficient resource use and reduce the number of client service requests due to poor client knowledge.
- Provide in-house training sessions during the fiscal year.

### **Key Component Issues for FY2002 – 2003**

- The Administrative Services Division continues to implement its cost allocation plan that was designed to accurately charge divisions for their properly allocated share of administrative costs. The advantage of this plan is that all divisions receive a more equitable share of costs in proportion to the services they receive. In doing this allocation, Administrative Services has been able to reduce some general fund expenditures by properly reallocating costs to non-General Fund agencies.
- Rental costs for the 11th floor of the Juneau State Office Building will increase \$22.2 and the increase for the Anchorage Atwood Building is \$45.2 in FY2003.

### **Major Component Accomplishments in 2001**

- Continued to upgrade data processing equipment and expanded data capacity, including new servers and computer room air conditioner unit.
- Locate space and begin setting up off-site data backup capabilities.

### **Statutory and Regulatory Authority**

AS 36.30  
AS 37.05.030  
AS 37.05.130-140  
AS 37.10  
AS 39.20.330  
AS 39.25.150(23)  
AS 43.05.010(2)  
AS 43.23.055  
2 AAC 07.930

## Administrative Services

### Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	943.8	953.3	1,021.2
72000 Travel	3.8	7.5	7.5
73000 Contractual	98.6	94.6	136.2
74000 Supplies	11.0	17.0	17.0
75000 Equipment	31.8	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>1,089.0</b>	<b>1,072.4</b>	<b>1,181.9</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	375.5	372.1	384.5
1007 Inter-Agency Receipts	407.5	371.2	463.0
1053 Investment Loss Trust Fund	9.9	0.0	0.0
1133 Indirect Cost Reimbursement	296.1	329.1	334.4
<b>Funding Totals</b>	<b>1,089.0</b>	<b>1,072.4</b>	<b>1,181.9</b>

### Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
<b>Unrestricted Revenues</b>						
None.		0.0	0.0	0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>						
Interagency Receipts	51015	407.5	371.2	371.2	463.0	463.0
UA Indirect Cost Recovery	51115	296.1	329.1	329.1	334.4	334.4
<b>Restricted Total</b>		<b>703.6</b>	<b>700.3</b>	<b>700.3</b>	<b>797.4</b>	<b>797.4</b>
<b>Total Estimated Revenues</b>		<b>703.6</b>	<b>700.3</b>	<b>700.3</b>	<b>797.4</b>	<b>797.4</b>



**Administrative Services****Proposed Changes in Levels of Service for FY2003**

No anticipated service changes

**Summary of Component Budget Changes****From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>372.1</b>	<b>329.1</b>	<b>371.2</b>	<b>1,072.4</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	10.8	8.2	8.5	27.5
<b>Proposed budget increases:</b>				
-FY2003 State Facilities Rent increase	1.6	0.0	0.0	1.6
-Increase in funding for administrative functions per the Administrative Cost Allocation Plan	0.0	-2.9	83.3	80.4
<b>FY2003 Governor</b>	<b>384.5</b>	<b>334.4</b>	<b>463.0</b>	<b>1,181.9</b>

**Administrative Services****Personal Services Information**

Authorized Positions			Personal Services Costs	
	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>		
Full-time	16	16	Annual Salaries	765,972
Part-time	0	0	COLA	20,884
Nonpermanent	0	0	Premium Pay	3,821
			Annual Benefits	258,853
			<i>Less 2.70% Vacancy Factor</i>	(28,330)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>16</b>	<b>16</b>	<b>Total Personal Services</b>	<b>1,021,200</b>

**Position Classification Summary**

<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
Accountant IV	0	0	1	0	1
Accounting Tech III	0	0	2	0	2
Administrative Clerk III	0	0	1	0	1
Administrative Manager II	0	0	1	0	1
Data Processing Mgr I	0	0	1	0	1
Division Director	0	0	1	0	1
Human Resources Mgr II	0	0	1	0	1
Micro/Network Spec I	0	0	1	0	1
Micro/Network Tech II	0	0	1	0	1
Personnel Asst I	0	0	3	0	3
Personnel Asst II	0	0	1	0	1
Personnel Specialist I	0	0	1	0	1
Procurement Spec II	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>0</b>	<b>16</b>

## **Component: REV State Facilities Rent**

**Contact: Mike Maher, Director**

**Tel:** (907) 465-2312 **Fax:** (907) 465-1685 **E-mail:** michael\_maher@revenue.state.ak.us

### **Component Mission**

To fund necessary maintenance and help prevent future deferred maintenance problems in the eight buildings in the state facilities rent pool.

### **Component Services Provided**

No services provided.

### **Component Goals and Strategies**

Improve the condition of state buildings and help prevent future deferred maintenance problems by implementing the second year phase of a state facilities rent structure.

### **Key Component Issues for FY2002 – 2003**

During years of budget constraints, state buildings have not been adequately maintained, resulting in a serious and expensive deferred maintenance backlog. For FY2002 the increase in unbudgeted rental costs are of concern.

### **Major Component Accomplishments in 2001**

Not applicable

### **Statutory and Regulatory Authority**

Not applicable

**REV State Facilities Rent**  
**Component Financial Summary**

*All dollars in thousands*

	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	206.6	206.6	223.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>206.6</b>	<b>206.6</b>	<b>223.0</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	206.6	206.6	223.0
<b>Funding Totals</b>	<b>206.6</b>	<b>206.6</b>	<b>223.0</b>

**REV State Facilities Rent****Proposed Changes in Levels of Service for FY2003**

Not applicable

**Summary of Component Budget Changes****From FY2002 Authorized to FY2003 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>206.6</b>	<b>0.0</b>	<b>0.0</b>	<b>206.6</b>
<b>Adjustments which will continue current level of service:</b>				
-Department of Administration transfer for state facilities rent funding	15.4	0.0	0.0	15.4
-Department of Labor transfer for state facilities rent funding	1.0	0.0	0.0	1.0
<b>FY2003 Governor</b>	<b>223.0</b>	<b>0.0</b>	<b>0.0</b>	<b>223.0</b>

## **BRU/Component: Permanent Fund Dividend**

(There is only one component in this BRU. To reduce duplicate information, we did not print a separate BRU section.)

**Contact: Nanci A. Jones, Director**

**Tel:** (907) 465-2323 **Fax:** (907) 465-2096 **E-mail:** Nanci\_Jones@revenue.state.ak.us

### **Component Mission**

The mission of the Permanent Fund Dividend Division is to administer the Permanent Fund dividend program.

### **Component Services Provided**

- Process over 600,000 applications resulting in payment of dividends to eligible Alaska residents.
- Publish an application booklet that includes detailed instructions for completing the dividend application; additional information is provided through our web site and the applicant status inquiry program available on the internet. All dividend forms are also available online. Applicants can also file an application by using the internet.
- Assist applicants with questions regarding their applications, the direct-deposit program, garnishments and other PFD-related issues at the dividend information offices.
- Conduct informal conferences with applicants who file an appeal.

### **Component Goals and Strategies**

The Permanent Fund Dividend Division in 2002 will increase to 79% the number of Alaskans who select direct deposit for their check.

- Advertise the benefits of direct deposit

Reduce by 20% the number of applications held in the review process at the time of the dividend calculation.

- Redesign computer edits
- Cross-train personnel in document processing and in the dividend information offices

Improve applicants' accessibility to Information pertaining to their dividend applications.

- Add additional information to the internet-based status inquiry system
- Explore ways to enhance and expand the existing telephone service

Enhance the online application.

- Make it accessible to Macintosh computer users
- Make it user friendly

### **Key Component Issues for FY2002 – 2003**

- The division continues to experience a large volume of applications that require a higher level of examination to determine an applicant's eligibility. A further analysis of the criteria that initiates this review system needs to be performed. After that is done, it is the desire of the division to spread the workload across the division to achieve faster processing time.
- The 2001 version of the online web based application fell short of the expectations to bring to applicants a user-friendly, quick and easy method of filing for a Permanent Fund dividend on the internet. The division is working on a version that will be simple to use and will allow applicants to use both IBM and Macintosh computers. This new application system will go online in January 2002.

## Major Component Accomplishments in 2001

- In spite of the cumbersome model of the online dividend application for the 2001 filing period, 48,000 people filed applications via the internet. The division's 2002 online application will be easy to use and we expect to see at least 100,000 applications via the internet in 2002.
- There was a decrease in the number of repetitive requests for information sent to applicants. The numbers went down from 84,000 in 2000 to 73,402 in 2001. We will continue to refine the instructions and other information we give to the public.

## Statutory and Regulatory Authority

AS 43.23  
15 AAC 23

## Key Performance Measures for FY2003

### Measure:

The percentage of dividend payments sent out on time to eligible applicants.  
Sec 138 (b) (1) Ch 90 SLA 2001(HB 250)

### Alaska's Target & Progress:

- In 2001, 95% of applicants (563,491) were paid in the October dividend distribution period vs. 93% (544,940) all eligible in 2000. As we gain efficiencies in processing applications, we expect to increase the percentage to 97% in 2002.

### Background and Strategies:

- As we gain efficiencies in processing cases held in review, we will be able to increase the number of dividends sent out in the initial distribution.

### Measure:

The average time taken to process dividend applications.  
Sec 138 (b) (2) Ch 90 SLA 2001(HB 250)

### Alaska's Target & Progress:

- The normal processing year begins with the application period in January until we get every application on the mainframe system. The ideal time is five months, to ensure adequate time for review before the distribution period in October. In 2000 we had all applications on the system by mid-April. In 2001 we took slightly longer and had all applications on the system by mid-May.

### Background and Strategies:

- The delay in processing for 2001 was due in part to the decrease in the number of temporary employees who stayed through the entire processing season. With the increased use of technology, we hope to replace the need for temporary workers by offering electronic filing.

### Measure:

The average time taken to resolve informal appeals.  
Sec 138 (b) (3) Ch 90 SLA 2001(HB 250)

### Alaska's Target & Progress:

- The statutory time limit to complete an appeal from the time it is filed with the division is one year. The division is striving to further reduce the aging of appeal inventory to a period not to exceed six months. In FY 02, our case inventory did exceed six months old 58% of the time, vs. 25% of the time in FY 01.

### Background and Strategies:

- Vacancies and an increase in the number of appeals received resulted in an increase in the number of

appeals older than six months in inventory. We have hired temporary help to alleviate the backlog in inventories.

**Measure:**

The average number of applications in review at the time of the dividend calculation.

Sec 138 (b) (4) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- The division continues to experience a large volume of applications that require a higher level of examination to determine an applicant's eligibility. In 2001 there were 12,727 applications in review at payment time vs. 8,116 in 2000.

**Background and Strategies:**

- The division will continue to analyze the criteria that determines whether or not an application needs the higher level evaluation process. In addition, personnel from other units within the division are being cross-trained in order to help with this level of review.

**Measure:**

The number of application denials upheld on appeal.

Sec 138 (b) (5) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- In 2001, 1,480 denials were upheld out of 2,064 cases closed. This amounts to an uphold rate of 71.7%.

**Background and Strategies:**

- Denials are overturned for several reasons. The highest number of denials that are overturned are the result of an error made either on the part of the applicant or within the division when the application was processed. Because of the need to correct any errors, the uphold rate will never be 100%.

**Measure:**

The cost to administer the program compared to the number of applications processed.

Sec 138 (b) (6) Ch 90 SLA 2001(HB 250)

**Alaska's Target & Progress:**

- In 2001 the cost per application processed was \$8.04 vs. \$8.08 in 2000.

**Background and Strategies:**

- The cost to administer the program for 2001 was \$4,974.2 and the number of applications processed was 618,065. In 2000, the cost was \$4,979.7 and the total applications were 616,608. The cost to administer the program has been relatively consistent between fiscal years. Increases result from capital appropriations.



**Permanent Fund Dividend**  
**Component Financial Summary**

All dollars in thousands

	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	2,965.4	2,993.7	3,143.8
72000 Travel	36.8	25.5	25.5
73000 Contractual	1,906.7	2,047.8	2,043.2
74000 Supplies	53.5	64.2	64.2
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>4,962.4</b>	<b>5,131.2</b>	<b>5,276.7</b>
<b>Funding Sources:</b>			
1007 Inter-Agency Receipts	32.0	32.0	32.0
1050 Permanent Fund Dividend Fund	4,930.4	5,099.2	5,244.7
<b>Funding Totals</b>	<b>4,962.4</b>	<b>5,131.2</b>	<b>5,276.7</b>

**Estimated Revenue Collections**

<b>Description</b>	<b>Master Revenue Account</b>	<b>FY2001 Actuals</b>	<b>FY2002 Authorized</b>	<b>FY2002 Cash Estimate</b>	<b>FY2003 Governor</b>	<b>FY2004 Forecast</b>
<b><u>Unrestricted Revenues</u></b>						
None.		0.0	0.0	0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b><u>Restricted Revenues</u></b>						
Interagency Receipts	51015	32.0	32.0	32.0	32.0	35.0
<b>Restricted Total</b>		<b>32.0</b>	<b>32.0</b>	<b>32.0</b>	<b>32.0</b>	<b>35.0</b>
<b>Total Estimated Revenues</b>		<b>32.0</b>	<b>32.0</b>	<b>32.0</b>	<b>32.0</b>	<b>35.0</b>

**Permanent Fund Dividend****Proposed Changes in Levels of Service for FY2003**

No service changes.

**Summary of Component Budget Changes**  
**From FY2002 Authorized to FY2003 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2002 Authorized</b>	<b>0.0</b>	<b>0.0</b>	<b>5,131.2</b>	<b>5,131.2</b>
<b>Adjustments which will continue current level of service:</b>				
-Year 3 Labor Costs - Net Change from FY2002	0.0	0.0	75.1	75.1
<b>Proposed budget increases:</b>				
-FY2003 State Facilities Rent increase	0.0	0.0	6.8	6.8
-Increase in funding for administrative functions per the Administrative Cost Allocation Plan	0.0	0.0	63.6	63.6
<b>FY2003 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>5,276.7</b>	<b>5,276.7</b>

## Permanent Fund Dividend

## Personal Services Information

Authorized Positions			Personal Services Costs	
	<b>FY2002 Authorized</b>	<b>FY2003 Governor</b>		
Full-time	54	60	Annual Salaries	2,456,535
Part-time	3	3	COLA	49,459
Nonpermanent	42	30	Premium Pay	0
			Annual Benefits	873,797
			<i>Less 6.98% Vacancy Factor</i>	(235,991)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>99</b>	<b>93</b>	<b>Total Personal Services</b>	<b>3,143,800</b>

## Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	0	0	2	0	2
Administrative Clerk II	0	0	29	0	29
Administrative Clerk III	2	1	12	0	15
Administrative Manager I	0	0	1	0	1
Analyst/Programmer III	0	0	1	0	1
Analyst/Programmer IV	0	0	2	0	2
Analyst/Programmer V	0	0	2	0	2
Chf Perm Fund Div Oper	0	0	1	0	1
Division Director	0	0	1	0	1
Investigator III	1	0	0	0	1
Microfilm Equip Op II	0	0	1	0	1
PFD Specialist I	0	0	2	0	2
PFD Specialist II	0	0	2	0	2
PFD Technician I	6	1	12	0	19
PFD Technician II	0	0	9	0	9
PFD Unit Supervisor	1	0	3	0	4
Secretary	0	0	1	0	1
<b>Totals</b>	<b>10</b>	<b>2</b>	<b>81</b>	<b>0</b>	<b>93</b>